# FINANCIAL TIMES

**Labour unions**

*In search of a new role*

**Robert Taylor, Page 11**

**Food safety**

*Global confusion and conflict reign*

**Page 4**

**Reinsurance**

*Storm warning for a watchful industry*

**Survey, separate section**

FT WEEKEND

*Money maketh the man*

**TOMORROW**

World Business Newspaper http://www.FT.com

FRIDAY SEPTEMBER 5 1997

## Fugitive ordered to pay $2.1bn to BCCI liquidators

Fugitive businessman Ghaith Rashid Pharaon (left), who was closely linked with the failed Bank of Credit and Commerce International, has been ordered by a Cayman Islands court to pay $2.1bn in damages to the bank's liquidators. The judgment raises hopes that tens of thousands of creditors may recover more of their money than expected. The award is the biggest to come out of a long-running investigation into the failure of BCCI, which collapsed six years ago with debts of more than $12bn as a result of widespread fraud. Page 12

**WTO hits back at Fischler:** European farm commissioner Franz Fischler was rebuked by the World Trade Organisation and sparked a row in the European Commission over his suggestion that the WTO lacked democratic accountability. Page 4

**BA attacks Brussels 'discrimination':** British Airways is to tell the European Commission that its objections to the proposed merger of BA and American Airlines are based on sloppy research and a discriminatory attitude towards the UK carrier. Page 13

**French call for Boeing probe:** The families of French victims, who were among 230 people killed when a TWA Boeing crashed off New York last year, asked for a criminal investigation of the airliner's makers. They believe fuel was accidently ignited in tha jumbo jet's central tank.

**Freight groups attack BR 'sweetener':** At least six companies that want to run freight services through the Channel tunnel may challenge the sale of British Rail's tunnel freight business. They believe incentives included in the deal will distort competition. Page 7

**UK Ford workers seek 'substantial' rise:** Trade unions representing nearly 30,000 UK workers at Ford submitted a claim for a "substantial" pay rise and a cut in hours. Page 7; New Labour, new unionism, Page 11

**Call for more nuclear power:** Greater use should be made of nuclear power if the world is to achieva planned reductions in greenhouse gases, Hans Blix, director general of the International Atomic Energy Agency, said. Page 4

**Greece freezes rail plan:** Greece froze negotiations with a French-led consortium to build an underground railway in the northern port of Thessaloniki, after the European Commission warned that EU regulations were being violated. Page 3

**Japan's trade surplus trebles:** Japan'a contentious trade surplus more than trebled to Y233.11bn ($1.9bn) during the first 20 days of August compared with the same period a year ago, the finance ministry said. Page 5

**US acts against Japanese shipping:** The US imposed sanctions on three Japanese shipping companies after negotiations to change Japan's harbour practices failed. Page 4

**Futures contracts for Venezuelans:** Venezuelans will be offered futures contracts on the Caracas stock exchange index. They will be traded as the first in a series of instruments in a new financial derivatives market. Page 6

**Slow reform progress hits Brazil:** Slow progress of reforms of the civil service and the social security system have left Brazil's economy in a weaker position than those of some south-east Asian countries, former Brazilian finance minister Rubens Ricupero said. Page 6; Editorial Comment, Page 11

**China plans telecoms sell-off:** The Chinese government hopes to float 25 per cent of China Telecom (Hong Kong), principal vehicle for Cable and Wireless' expansion plans in mainland China. Page 13; France Telecom sale, and Lex, Page 12

**Sweden orders eugenics inquiry:** Sweden appointed a committee of inquiry to examine allegations that more than 60,000 women were forcibly sterilised as part of a state eugenics programme. Page 2

**FT.com:** the FT web site provides online news, comment and analysis at http://www.FT.com

**■ STOCK MARKET INDICES**

| | | |
|---|---|---|
| **New York: lunchtime** | | |
| Dow Jones Ind Av | 7,854.00 | (-40.64) |
| NASDAQ Composite | 1,623.96 | (+5.72) |
| **Europe and Far East** | | |
| CAC40 | 2,926.99 | (+9.07) |
| DAX | 4,071.88 | (-31.97) |
| FTSE 100 | 4,991.3 | (+14.4) |
| Nikkei | 18,615.08 | (-120.11) |

**■ US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds | 5½% |
| 3-mth Treas Bills: Yld | 5.140% |
| Long Bond | 97 1/16 |
| Yield | 6.596% |

**■ OTHER RATES**

| | | |
|---|---|---|
| UK: 3-mo Interbank | 7 3/32% | (7 7/32%) |
| UK: 10 yr Gilt | 101 13/32 | (101 7/8) |
| France: 10 yr OAT | 99.82 | (99.26) |
| Germany: 10 yr Bund | 102.36 | (102.26) |
| Japan: 10 yr JGB | 107.1202 | (107.352) |

**■ NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent Dated | $18.865 | (18.175) |

**■ GOLD**

| | | |
|---|---|---|
| **New York: Comex** | | |
| (Sep) | $321.7 | (322.3) |
| **London:** | | |
| close | $321.45 | (322.75) |

**■ DOLLAR**

| | | |
|---|---|---|
| **New York: lunchtime** | | |
| £ | 1.59495 | |
| DM | 1.81465 | |
| FFr | 6.1047 | |
| SFr | 1.49615 | |
| Y | 120.805 | |
| **London:** | | |
| £ | 1.5964 | (1.5835) |
| DM | 1.8182 | (1.8184) |
| FFr | 6.1177 | (6.1190) |
| SFr | 1.4985 | (1.5015) |
| Y | 120.925 | (121.090) |
| Tokyo close: | Y 120.70 | |

**■ STERLING**

| | | |
|---|---|---|
| DM | 2.8844 | (2.8794) |

9 770174 736150 36



Hamas claims responsibility for attack ■ Albright's Israel visit to go ahead

# Seven die in suicide bombing in Jerusalem

Shocked Israelis in the pedestrian mall after the three bombs exploded. The mall was crowded with shoppers and tourists. Picture: AP

**By Judy Dempsey in Jerusalem**

Seven people were killed and more than 150 injured yesterday in a triple suicide bomb attack in a pedestrian mall in the heart of west Jerusalem.

Hamas, tha Islamic Resistanca Movement, claimad responsibility for tha nail bombs which went off within seconds of each other in mid-afternoon along the crowded Ben Yehuda street.

Benjamin Netanyahu, the Israeli prime minister, vowed to act against militants if tha Palestinian Authority failed to crack down. "We are not ready to continue in a situation whereby organisations go around freely in [Palestinian Authority president Yassir] Arafat's areas," he said.

In Washington, President Bill Clinton said: "These perpetrators of the attack intended to kill innocent people and the peace process itself. They must not be allowed to succeed. Everything possible must be done to stop them."

He called on the Palestinian Authority to take action against terrorists "through concrete action on its own and continuing work with the Israeli authorities. It must do all it can to create an environment that leaves no doubt that terror will not be tolerated."

Mr Clinton said Madeleine Albright, US secretary of state, would travel to the region next week as planned.

"There will be an overwhelming majority of Israelis and Palestinians [who] yearn for an end to violence and the start of a lasting peace," he added. "If they are to see their hopes realised, we must see the strongest possible security co-operation. Only on that basis can the process proceed."

Mr Netanyahn, speaking after visiting the injured in hospital, said: "If there was no immadiate change and far-reaching action against all components of the terrorist infrastructure, it will indicate that the Palestinian Authority has not drawn the conclusion required." Israel would take "all the decisions required".

Israel reimposed a complete closure on the West Bank and Gaza brought in – and later partially lifted – after the July 30 markatplace bombings in which 15 victims and two suicide bombers died. The Palestinian Authority condemned yesterday's bombings. "We condemn such an attack. It is against the people, the Israelis," said Nasbil Abourdene, adviser to Mr Arafat.

The Palestine Liberation Organisation said the police would start arresting Hamas leaders in the West Bank for plotting against Palestinian interests. Mr Arafat, who had been scheduled to meet militant gronps, cancelled the maeting. David Bar-Ilan, adviser to Mr Netanyahu, accused the PA of courting Hamas and failing to crack down on terrorism. "The PA shelters the terrorists," he said.

Mr Arafat warned that the Israeli closure of Palestinian areas, coupled with economic sanctions, created "a good platform for fanaticism".

The bombs went off just after 3.05pm local time when Ben Yehuda street was crowded with tourists and Israelis enjoying the sunshine. The explosions shattered shop windows and crushed restaurant tables and chairs. People rushed out of buildings and into the streets, fearing another blast, while police, ambulance and the army rushed to the scene. Police said as many as three of the dead were suicide attackers.

Hamas threatened more bombings unless all Palestinian prisoners imprisoned by Israel wera released by September 14.

Blowing peace away, Page 10

# Malaysia lifts curbs on share trading

## Mahathir announces indefinite delays to several large building projects

**By James Kynge in Kuala Lumpur**

Malaysia will today lift the curbs it imposed on share trading last week. It will also delay indefinitely several large infrastructure projects, including the controversial Bakun dam.

The changes were announcad yesterday evening by Mahathir Mohamad, the prime minister. They represent the clearest recognition yet that the continuing depreciation of Malaysia'a currency and a plunge in share values have hit the economy.

The U-turn is a blow to the prestige of Dr Mahathir, Malaysia'a leader for 16 years and a supporter of tha "mega-projects".

Malaysia's main stock market index has taken a pounding since a ban on short-selling of shares was imposed last Thursday. Short-selling is the sale of shares one does not own in the hope of buying them back at a lower price.

But the prime ministar refused to accept that his decision to ban short-selling had been counter-productive. "Wa feel that our attempts to curb manipulation have been fruitful and the manipulators could no longer play around with the market."

Analysts said the main stock market index was nearly 10 per cent down yesterday and only recovered because of concerted buying by state pension funds. The main index closed 2.62 lower on the day.

Tha Malaysian dollar also fall further, driven down largely by the repatriation of stock market funds. In late trade, it was at M$3.04, its lowest level since the currency was floated in 1973.

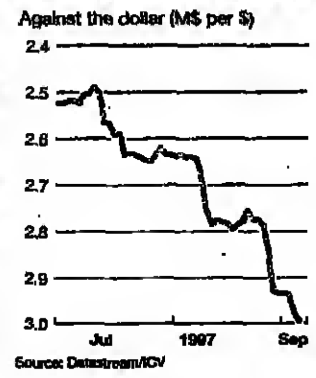
Dr Mahathir said the depreciation of the Malaysian dollar, down about 20 per cent since early July, forced the delay of several infrastructure projects.

The main one is the M$13.6bn (US$4.6bn) Bakun dam in Sarawak on Borneo Island.

Bakun's cancellation is a blow to the construction consortium, led by ABB, the

Continued on Page 12
Mahathir's vision, Page 5; Editorial Comment, Page 11; Lex, Page 12; Currencies, Page 19; World stocks, Page 30

**Malaysian dollar**




Source: Datastream/ICV

## Nasdaq acts to combat internet fraud

Nasdaq, the second biggest US stock market, is to introduce a surveillance device to detect the transmission of share-price-sensitiva false information on the internet.

The device is designed to trawl so-called "chat rooms" on the internet looking for false information that could move share prices. It will track some 4,000 Nasdaq-listed companies.

Fraudsters use the internet to start a rumour or offer unsolicited advice in order to push up the price of an equity.

Report, Page 12

# Queen plans broadcast to express grief over Diana

**By Liam Halligan and Jimmy Burns in London**

Public appearance: Prince Philip, Prince Charles and his sons, William and Harry, look at the floral tributes outside Balmoral

Queen Elizabeth will today make a rare broadcast to the nation expressing her sorrow at the death of Diana, Princess of Wales, amid mounting criticism thet the royal family has remained remote from public grief over the princess'a death.

Geoffrey Crawford, tha Queen's press secretary, said the royal family had been "hurt" by suggestions they were indiffarent to the outpouring of national sorrow at Diana's death.

As thousands have queued to sign books of condolence around the country, the Queen and other senior members of the royal family have been criticised for remaining at Balmoral castle in Scotland.

"Prince William and Prince Harry want to be with their father and grandparents at this time in the quiet haven of Balmoral," Mr Crawford said. "As their grandmother, the Queen is helping the princes come to terms with their loss."

Tony Blair, prime minister, is understood to have played a part in persuading the Queen to make today's broadcast. While the government has insisted that decisions about tomorrow's Westminstar Abbey service are being made by the Palace and the Spencer family, Mr Blair has mada clear his desire for a "people's funeral".

Public reaction to the death of Diana is being watched with concern by officials sensing the pressure building up around tomorrow's funeral. "There are aspects of this that are beginning to look quite unpleasant, as if mass hysteria was taking over," said one Whitehall official. Another commented: "It would appear that the survival of the royal family is being decided on how it handles the death of Diana."

In a change of plan, the Queen, accompanied by the Duke of Edinburgh, Queen Mother and Princess Margaret, will fly to London this morning from Balmoral. Senior members of the royal family

Continued on Page 12
Diana driver, Page 7



CONTENTS

**News**
European News 2,3
International News 4
Asia-Pacific News 5
American News 8
World Trade News 4
UK News 7
Property 8
Weather, Lex 12

**Features**
Leader Page 11
Letters 10
Observer 11
Technology 8
Arts, Arts Guide 9
Crossword 20

**Companies & Finance**
UK 17
International 15,16
Intl. Cap Mkts 18

**Markets**
Commodities 20
FTSE Actuaries 26
FT/SP-A Wld Indices 30
Foreign Exchanges 19
Gold Markets 20
Int. Bond Service 18
Managed Funds 21-23
Money Markets 19
Recent Issues 30
Share Information 24,25
London SE 26
Wall Street 27-29
Bourses 27,29

**Surveys**
Reinsurance Section 3

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Kohl and Waigel present united front after a summer of bitter cabinet quarrelling

# German confidence on Emu criteria

By Frederick Stüdemann in Kloater Andechs and Pater Norman in Bonn

The Christian Democratic Union of Helmut Kohl, the German chancellor, and its Bavarian sister party, the Christian Social Union, yesterday closed ranks to voice confidence that Germany's public deficit would meet the conditions to join the European single currency on schedule in 1999.

Theo Waigel, the finance minister and CSU leader, said the latest indications suggested that Germany's public deficit would be 2.9 per cent of gross domestic product this year, just below the 3 per cent upper limit set in the 1992 Maastricht Treaty.

Mr Waigel said favourable economic growth was pushing the deficit below 3 per cent of CDP. There was a "realistic chance" that sufficient European Union countries would meet the criteria for the euro to start as planned, he added.

In a joint statement, the two parties underlined their goal to start monetary union on January 1, 1999 "with strict observance of the stability criteria". The planned single currency was in Germany's interests as only with the euro would Germany benefit to the full from the positive effects of the European single market for economic growth and joh creation.

Mr Kohl and Mr Waigel, together with leading figures of the two parties, met in the picturesque Benedictine monastery of Kloster Andechs yesterday to overcome a summer of quarrelling and bitterness, triggered by Mr Waigel's call for a cabinet reshuffle.

In a joint press conference the two leaders managed to create a front of harmony, publishing a seven-point policy programme to guide their activities until the German general election at the end of September 1998. Mr Kohl emphasised afterwards that there had heen no discussion of changes to the cabinet.

Hans Tietmeyer, the Bundesbank president, also sought to damp down the political excitement triggered by his comment this week that a delayed introduction of the euro would not "cause the heavens to cave in or the economy to come off the rails".

In a statement issued before yesterday's regular meeting of the Bundeshank's central council, Mr Tietmeyer stressed that his comment, in a newspaper interview, was "quite clearly not a plea for a delay to the beginning of Emu".

The purpose of his remark was merely to point out that certain arguments surrounding the euro were economically duhious, Mr Tietmeyer said.

Disturhing yesterday's meeting at Kloster Andechs were a bundred or so ruddy-faced, Lederbosen-clad Bavarian farmers, who greeted the leaders of the CDU and CSU with jeers and whistles.

They were protesting about falling incomes and the decline in support payments from the EU's hudget, to which Germany is the main contrihutor. "Germany can no longer be the stupid paymaster of Europe," their leader cried.

## NEWS DIGEST

## Russia-Chechen oil deal near

Russia and the hreakaway Chechen republic are on the verge of reaching an agreement over a disputed pipeline which links the multi-hillion dollar oil reserves of the Caspian Sea to Western markets.

"An agreement on repairing the pipeline will be signed today or tomorrow," Victor Chernomyrdin, the Russian prime minister, said yesterday.

The pipeline, which was damaged in Chechnya's almost two-year hattle to assert its independence from Russia, is the planned export route for oil produced hy a $8bn Western offshore development in the Caspian Sea. But the segment which travels through Chechnya has become emhroiled in a clash over how much money the Chechen government will receive in transit fees.

Russian officials insisted that they would stick to their offer to pay 43 cents per tonne; the Chechens, who feel entitled to hefty compensation from Russia after a war which has reduced much of their territory to rubble, have demanded a tariff of $2.20.

Some Russian commentators have suggested that Transneft, the Russian oil transport company, could pay the differance. *Chrystia Freeland, Moscow*

■ IRISH SCANDAL

### Ahern plans sleaze tribunal

The Irish government said yesterday it would set up a judicial trihunal to investigate allegations of payments to politicians. It also said a referendum would he held on October 30 – the same day as the presidential election – to amend the constitution so that cabinet confidentiality can be lifted in certain circumstances.

Bertie Ahern, the prime minister, began hriefing opposition leaders yesterday in an effort to secure hroad political agreement on the trihunal before a special session of parliament called for next week.

A trihunal set up earlier this year to investigate payments to politicians from a prominent businessman, Ben Dunne, revealed that hoth Charles Haughey, a former prime minister, and Michael Lowry, a former minister, received substantial gifts from Mr Dunne.

The new trihunal is likely to investigate a group of Cayman Island bank accounts, known as the Ansbacher Accounts, which were found to contain I£38m ($56m) at one stage. Payments to Mr Haughey were channeled through some of these accounts. *AFP, Duhlin*

■ HUMAN RIGHTS

### Belarus leader accused

The Belarus government has been accused of stifling press freedom and eroding human rights in defiance of its international ohligations in a new report from Article 19, a London-based monitor of human rights, and the Belarus League for Human Rights.

The report attacks laws curbing criticism of Alexander Lukasbenko, the country's president. It also accuses the authorities of ahusing horder controls to restrict entry to potential critics, and of imposing severe restrictions on the independent media and the right to demonstrate.

Earlier this week, the Soros Foundation decided to pull out of Belarus, citing harassment of its efforts to strengthen civil society and encourage the independent media. *Anthony Robinson, East Europe Editor*

■ ECONOMIC AID

### Tough IMF plan for Albania

The Albanian government has reached agreement in principle with officials from the International Monetary Fund on a tough programme aimed at stahilising the country's battered economy.

The IMF said that it was prepared to offer emergency assistance, hut only on condition that substantial aid was forthcoming from other donors, including the European Union and the World Bank, at a donors' conference planned to be beld within six weeks in Brussels.

Albania's new Socialist-led government faces daunting challenges to begin the reconstruction of the country after months of civil conflict triggered by the collapse of a series of fraudulent pyramid finance schemes.

The IMF said "strong initial measures" were needed to contain the budget deficit, including an increase in value added tax, as well as the winding up of the remaining pyramid schemes and the reform of the banking sector.

It boped to agree the emergency package hy the end of October. *Kevin Done, East Europe Correspondent*

■ PRIVATISATION

### Belgians buy brewery stake

The Yugoslav republic of Montenegro is to sell a 60 per cent stake in its Niksic brewery to Belgium's Interhrew group in its first major privatisation sale.

Milo Djukanovic, the prime minister, said the Belgian group, which includes the Stella Artois brewery, would pay DM25m ($13.5m) and commit itself to investing a further DM10m to DM15m.

The Hongkong and Shanghai Bank is advising the Niksic hrewery. An agreement may he signed in Podgorica today.

Mr Djukanovic said the brewery was producing 400,000 hectolitres a year but could increase this to 1m. Niksic beer had some overseas success until it lost its markets with the imposition of sanctions on Yugoslavia. Sanctions were lifted last year.

Mr Djukanovic said his government was fully committed to privatisation. Eighty state-owned companies have been sold off so far, hut Niksic is the first to be sold to a foreign huyer. *Guy Dinmore, Podgorica*

■ MAFIA ARREST

### Argentines hold fugitive

A Neapolitan mafia boss, sought hy police for 10 years, has been arrested in Buenos Aires with the aid of police from Naples, officials in Italy and Argentina said.

Mario Fahbrocino, 55, was alone and unarmed when police swooped on a house in the city of San Martin, north-west of Buenos Aires. He is wanted for murder, drug trafficking, fraud and illegal arms possession. He is to be extradited to Italy, where he already has been sentenced to 100 years behind bars, officials in Buenos Aires said.

"A long, patient and intelligent investigation has led to the arrest in Argentina of one of the mafia's topmost leaders who had been sought for years," Italy's top anti-mafia official, Ottaviano Del Turco, said in Rome.

Mr Fabbrocino had been on a list of the 30 most wanted mafia leaders still at large. *AFP, Buenos Aires*

■ ART THEFT

### $1m Van Gogh stolen

A Vincent Van Gogh painting with an estimated value of almost $1m was stolen during a burglary at the Royal Museum of Beaux Arts in the Belgian city of Antwerp yesterday, museum officials said.

The thieves also escaped with a sketch by Adolf Monticelli, a minor 19th-century French painter, and damaged a pastel by the impressionist Edgar Degas while attempting to free it from its glass frame.

The Van Gogh work that disappeared was a small painting on paper and wood entitled Aardappeloogst, or Potato Harvest, completed in 1885. *AFP, Antwerp*

## Sweden sets up eugenics inquiry

By Tim Burt in Stockholm

The Swedish government yesterday appointed a committee of inquiry to examine allegations that more than 60,000 women were forcibly sterilised as part of a state-sponsored engenics programme.

The ministry of health and social affairs said the inquiry, expected to last at least 18 months, would investigate the role politicians and medical experts played in ordering the sterilisation of Swedes from non-Nordic ethnic hackgrounds and the mentally ill.

Margot Wallstrom, social affairs minister, said the committee would also "consider how to make amends and propose forms of compensation for the victims".

Recent revelations that the conntry actively embraced a racial cleansing policy have shocked many Swedes and increased pressure for a national inquiry. However, some opposition politicians yesterday demanded a parliamentary dehate on the sterilisation laws, which were only abolisbed in 1976.

Alf Svensson, leader of the Christian Democrats, called for a broader investigation of Sweden's medical etbics, inclnding an examination of its abortion policies and the activities of Sida, the overseas development association.

Sida has been accused of involvement in forced sterilisations in developing countries, particularly India. It declined to comment on the allegations.

"The government is trying to hury the sterilisation programme as a historical mistake, instead of examining its ramifications on otber policies," said Mr Svensson.

The inquiry's terms of refereoce were defended hy its cbairman, Carl-Cnstaf Andren, tbe former cbancellor of Lund University. He said the committee would not only estahlish how many people were forcibly sterilised, hnt woold draw up new guidelines for compensation and examine current medical practices.

"It is very important for Swedish society that we learn the lessons from the sterilisation laws, and make sure that this never happens again," he added.

The ruling Social Democratic party said that the inquiry would compare Sweden's record on eugenics witb those of other conntries. Although emharrassed by the international furore, the government is anxious to show that similar policies were pnrsued in the US, Germany, Austria and Finland, among others.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London W1X 1LE. Shareholder of the company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg. ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maravulia, 42 Rue La Boetie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

R

## Cities' titans fight for Olympic glory

Primo Nebiolo will be among the big-hitters battling today for the right to host the 2004 games

If sport can be described as the pursuit of war by other means, then tbe 106th session of the International Olympic Committee in Lausanne could prove a bloody battleground.

With five cities competing for the right to host the 2004 Olympic games, the big battalions have been wheeled out on the shores of Lake Geneva, including two heads of state, assorted foreign ministers and enough foot soldiers to fill a troop ship.

Among the heaviest hitters in Lausanne is Primo Nebiolo, the Italian president of the International Amateur Athletics Federation and head of the powerful body that represents all the summer Olympic sports federations. Although he is attending the session in his capacity as an IOC member, the 74-year-old former construction tycoon is in reality the most influential advocate of Rome's bid to stage the games. What is more, he has been firing broadsides for the past three weeks at Athens, the city long regarded as Rome's biggest rival. Mr Nebiolo has criticised tbe Greek capital's handling of last month's World Athletics Championships as "mediocre", and contended that the poor organisation of the event proved that Athens was incapable of hosting the Olympics. Although he now says he was misquoted – "I have never spoken badly about any of the bidders," he said yesterday with a remarkably straight face – his attacks have inflamed the already fierce rivalry between the two Mediterranean cities.

> Nebiolo has criticised Athens' handling of the World Athletics Championships as 'mediocre'

Greece's foreign minister fought back with an assault on Italy's history of political instability and the "terrifying problem" of the mafia. Mr Nebiolo has since called a ceasefire – "This is not a war," he pleaded yesterday – but the hostilities are likely to continue until the presentations are completed today.

Yet while Mr Nebiolo may he the most experienced political operator in Lausanne, he cannot come close to matching in stature the de facto leader of Cape Town's bid. In Nelson Mandela, the South African president, who will personally put the city's case to IOC members this morning, Cape Town has assembled formidable political firepower.

The city will be the second of the five candidates to present its hid, and the world's best-loved statesman is expected to appeal to the higher instincts of the IOC members, offering them an opportunity to play a vital part in South Africa's rebirth as a peaceful, democratic, economically independent nation.

On his arrival in Lausanne, Mr Mandela gave a taste of wbat IOC voters can expect when be said a vote for Cape Town would be "a vote for the deepening of democracy". Given the Olympic movement's fondness for regarding itself as the greatest force for good in the known world, Mr Mandela's plea will fall on receptive ears.

Cape Town may also benefit from the tactical voting that is expected in the first round. A theory gathering credence yesterday was that the Latin American IOC members will vote en hloc for Buenos Aires in the first round to avoid a humiliation for their region's only candidate. That would eliminate at least one city – prohably Stockholm – from the second round of voting, at which point the Latin votes would transfer to one of the three more likely winners.

Finally, with Rome and Athens having fought themselves to a standstill, with the European vote split, and with Mr Mandela baving won the bearts of tbe non-aligned, Cape Town would sweep to victory.

**Patrick Harverson**

Primo Nebiolo: construction chief is most influential advocate of Rome's bid to stage the games *Mike Cooper/Allsport*

## Centre-right in France plans its next move

By Andrew Jack in Paris

France's centre-right political parties, defeated in parliamentary elections last June, are gearing up for meetings with local activists in the next few days as they regroup ahead of the next session of the National Assemhly in mid-September.

Philippe Séguin, the newly elected chairman of the Gaullist Rally for the Republic (RPR) party, will bold a closed session today with activists in Nantes. This will he followed by other gatherings in Marseille, Lyon, Toulouse and Paris this weekend. Meanwhile, François Léotard, head of the Union for French Democracy (UDF), the second-ranking movement on the French right, will hold meetings with members of his parliamentary group today and tomorrow.

Centre-right leaders in France are trying to deflect grassroots calls for a merger of the RPR and UDF into a single movement to counterhalance the ruling coalition of leftwing parties which came to power after the June 1 elections.

Mr Séguin and Mr Léotard this week both ruled out calls for the RPR and the UDF to merge, while pledging to set up a joint committee to consider joint nominations in electoral districts around the country ahead of regional and local elections in 1998.

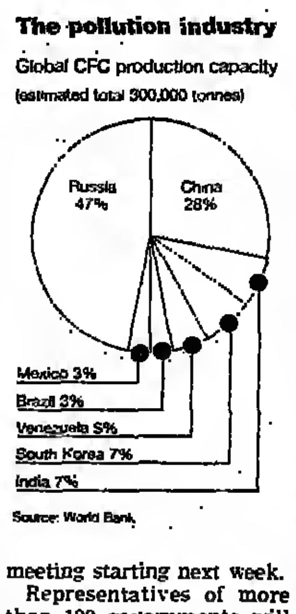
The manoeuvring will he closely watcbed by Jacques Chirac, the French president and founder of the RPR, who has hecome increasingly isolated as a result of the defeat of his ruling coalition and the election of Mr Séguin in place of his close ally, Alain Juppé.

Mr Séguin has promised to draw up recommendations covering issues such as internal organisation, financing and election procedures for the RPR for a meeting of more than 500 officials in the party on Septemher 27, ahead of a national meeting scheduled for the end of January. Mr Léotard, himself excluded by Mr Chirac and Mr Juppé from a ministerial post in spite of a cabinet reshuffle, told journalists earlier this week that "we have moved from a presidential majority to a parliamentary opposition".

The UDF, as a coalition of parties, faces the challenge of maintaining a strong political voice for itself on the French right.

## EU disputes hold up moves to ban CFCs

By Leyla Boulton, Environment Correspondent




Moves to crack down on the illegal trade in CFC gases, including a total han on sales to kill off the black market, are being held up by internal wrangling within the European Commission.

Tbe European Union's executive has been unable to finalise regulations for endorsement by EU ministers because of disagreements over whether to speed up a planned phase-out of substitutes for the gases at the same time.

Used mainly for refrigeration and air conditioning, the CFC – chlorofluorocarhon – gases deplete the earth's protective ozone layer. So, to a lesser extent, do the so-called HCFC suhstitutes for them. The ozone layer acts as a shield against harmful ultra-violet rays from the sun which can cause skin cancer.

The revision of European rules on CFCs and HCFCs is being delayed by the commission's determination to revise EU regulations on the gases in one process rather than in stages.

The commission wrangle is an embarrassment to the EU as it seeks to play a leading role in calling for a sales han across the developed world at an internatinnal meeting starting next week.

Representatives of more than 100 governments will gather in Montreal to decide how best to strengthen the 1987 Montreal Protocol to phase out ozone-depleting substances.

Another obstacle to western countries playing a leading role at next week's talks is a transatlantic row between the US and Europe over whether there should be caps on the use of HCFCs, pending their phase-out. Such caps are supported by European governments but not the US.

The Montreal treaty's main weakness lies in the fact that it bans both production and most imports hy developed countries, hut gives developing countries a 2010 deadline for phasing them out.

This creates opportunities for unscrupulous traders to undercut the market for substitutes hy disguising illegal imports as domestic stockpiles, whose sale is still legal, pending a total sales han.

"A ban on sales would make it obvious if illegal CFCs were being offered for sale," said Nick Campbell, regulatory affairs manager at ICI, the UK chemical group.

ICI and other chemical companies had already developed ozone-friendly substitutes for the HCFCs. But opposition tn speeding up the phase-out of HCFCs comes mainly from industries wbich either own or make refrigerators using the gases.

Western manufacturers have until 2015 to phase out HCFCs. But the revisions proposed by some European Commission officials include hringing forward a deadline for phasing out their use for maintenance and servicing to 2008. This is opposed hy the refrigeration industry, which says it needs access to them until 2015.

UK defence secretary warns Nato alliance that peacekeeping troops may have to stay

## Bosnia mandate may be extended

By Alexander Nicoll, Defence Correspondent

Britain raised the possibility yesterday that the Nato-led peacekeeping force in Bosnia might stay beyond the end of its present mandate in June 1998.

George Robertson, UK defence secretary, said in a speech prepared for delivery in London last night: "I believe the international community should be reluctant to leave a job half done after such a significant investment."

Though he did not acknowledge that the force's mandate would bave to he extended, British officials said Mr Robertson wanted to address the possibility that extension would he necessary. This could he discussed at a meeting of Nato defence ministers in the Dutch city of Maastricht at tbe start of October, they said.

If a "follow-on" force in Bosnia were agreed, Mr Robertson said, "it will have to be Nato-led, with Nato-led credibility, and with all the major players sharing the risks on the ground."

Bill Clinton, the US president, will be under severe domestic pressure to withdraw US troops from Bosnia hy the mid-1998 deadline, though he has not ruled out prolonging their assignment.

Both tbe US and British governments have been seeking to speed up the peace process in Bosnia. Their increasingly tougb stance was underlined yesterday when Nato's supreme commander in Europe, General Wesley Clark of the United States, warned in Washington that Nato would use "lethal force" if attacked in Bosnia.

"I'm seeing a treod toward disorder and organised disorder on the part of some people in Srpska [the Serb-beld region of Bosnia]. And so I can only warn those people that S-For is not going to he intimidated by moh violence," Gen Clark said.

Mr Robertson, wbo has a strategic review of Britain's defences under way, stressed the UK's continuing commitment to Nato's collective defence arrangements and co-operation between armed forces, though he said Nato should modernise and rationalise, especially hy slashing the number of its headquarters establishments in Europe.

He dismissed suggestions from US politicians that Nato enlargement would be too costly, saying Britain spent only 0.6 per cent of its defence hudget on Nato's military and infrastructure hudgets, and the requirement was not expected to rise sharply. The Czech Republic, Poland and Hungary are due to join in 1999.

● Mr Momcilo Krasjnik and four other members of the Pale-based Bosnian Serh leadership have been put on a "visa warning" list, denying them entry into the European Union, in a retaliatory gesture for Pale's failure to agree a new Bosnian citizenship and passport law hy the August 31 deadline set by the Dayton agreements, the UK foreign office said yesterday.

NEWS: EUROPE

Milosevic imposes border controls on reformist rival in deepening power struggle that threatens Yugoslavia's future

# Serbia tightens screw in feud with Montenegro

The Serbian policeman wavee his lollipop-stop sign in the air and demands "papers". A line of cars and trucks, some with engines boiling after traversing the punishing mountains that mark the border with Montenegro, forms a queue. "This is Serbia," the policeman says.

A few miles further north there is another checkpoint, just before the town of Prije Polje. This time police, one in plain clothes with a walkie-talkie, search vehicles. A man in the brown uniform of a customs officer hovers in the background.

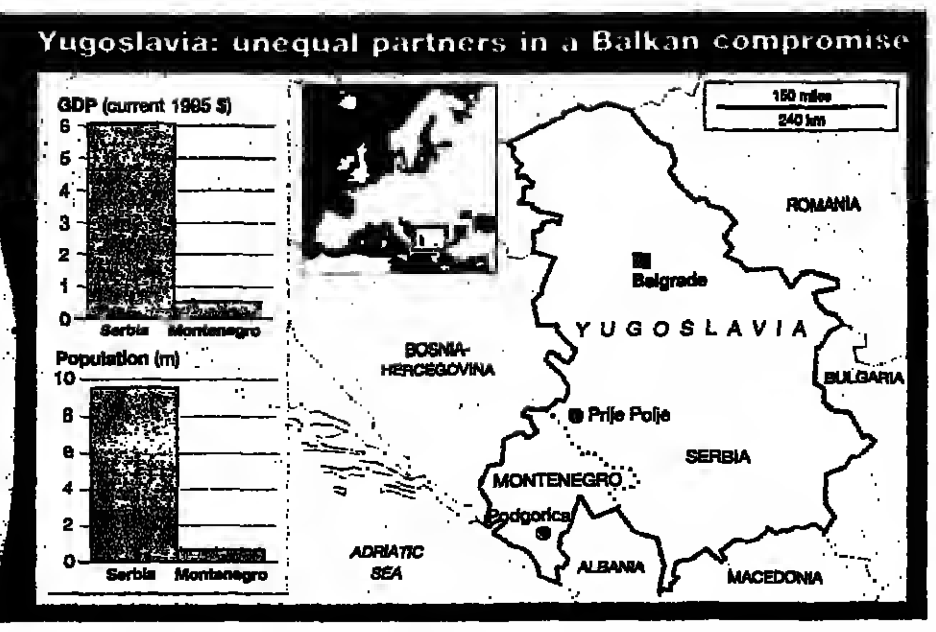
Officially there is no frontier between Montenegro and Serbia, the two republics that make up what is left of federal Yugoslavia, and police say they are merely looking for contraband such as cigarettes. But in reality Serbia has imposed border controls as part of a power struggle between the two uneasy neighbours, a move that could lead to Yugoslavia's final disintegration.

In Podgorica, Montenegro's capital, Milo Djukanovic, the prime minister, angrily denounces the "internal blockade". Trucks carrying goods into Serbia are turned back or forced to pay tariffs. Traffic crossing south into Montenegro passes unimpeded.

"It is very serious. There is a major blockade of certain goods going to Serbia, mainly petrol and oil derivatives. It's complete nonsense," he says, adding that such controls must have the backing of Serbia's strongman, Slobodan Milosevic.

It was no coincidence, Mr Djukanovic says, that such controls first appeared several months ago when a David and Goliath-style battle of wills erupted between tiny Montenegro and its giant neighbour.

Mr Milosevic was at that time president of Serbia but blocked constitutionally from seeking a third term in office. To prolong his 10-year rule the Serbian leader needed to transfer his power base to the federal Yugoslav presidency but could only do so with Montenegro'e support. Mr Djukanovic, a 35-year-old reformist who had given his support to anti-Milosevic street protests in Belgrade last winter, was seen as an obstacle.




But, as it turned out, the main victim of the ensuing struggle was not Mr Djukanovic but the Montenegrin president, Momir Bulatovic, a close ally of Mr Milosevic. He was dismissed as leader of Montenegro'e ruling Democratic Party of Socialists and Mr Djukanovic says he is confident, having forged an alliance with opposition parties this week, that he will defeat him in presidential elections on October 5.

In a true Balkan compromise Mr Djukanovic eventually agreed not to block Mr Milosevic and he became Yugoslav president in July but without the backing he needed to change the constitution to boost the powers of the figurehead office.

Mr Djukanovic rejects accusations from Belgrade that he is a eecessionist bent on taking Montenegro out of Yugoslavia. But be warns thet such "a last solution" exists if Mr Milosevic continues to stonewall its development by blocking democratic reforms and refusing to meet US and European Union conditione that would give Yugoslavia access to international financial institutions.

Alternatively, be suggests, the federal parliament that appointed Mr Milosevic president could also undo prove his undoing. "If someone represents an obstacle to a country it's simpler to remove that pereon rather than the country itself. They regard Montenegro as an under-age child, believing they can create a certain atmosphere here with this economic blockade."

Mr Djukanovic says Serbia'e border controls follow a dangerous precedent. When Slovenia became the first Yugoslav republic to declare its independence in 1991 the first move by the Serbian-dominated Yugoelav national army and federal customs was to try to seize its frontier posts.

For the time being, diplomats eay, an independent Montenegro is an unlikely ontcome. Both sides need each other too much and have close historic and cultural ties.

Montenegro is landlocked Serbia'8 only route to the sea and a major naval base after the loss of access to Adriatic ports in Croatia. For Montenegro's 650,000 people Serbia is an important provider of jobs and trade.

Opinion polls, though never considered reliable in Yugoslavia, show only about one third of Montenegrins in favour of independence.

Diplomats believe that while the Milosevic-Djukanovic feud is the root cause of the border controls there are also powerful financial factors at stake. Cigarette smuggling, which Mr Djukanovic denies he is involved in, is a lucrative operation while Montenegrin petrol suppliers are undercutting Serbian state monopolies controlled by the ruling Socialist coalition.

**Guy Dinmore**

# Brussels puts brakes on Greek metro proposal

By Karin Hope in Athens

Greece hae frozen negotiations with a French-led consortium over a controversial plan to build an underground railway in the northern port of Thessaloniki after a warning from the European Commission that EU regulations on pnblic works contracts were being violated.

The commission said the Greek public works ministry had gone ahead with contract talks even though the consortium'e offer failed to meet technical and financial requiremente for the Dr150bn ($529m) project.

The consortium is led by Bouygues, the French conetruction group, and includes Sofretu of France and two Canadian companies, Bombardier and SNC-Lavalin. The Thessaloniki metro is the last of five EU supported infrastructure projects to be launched in Greece under the Build-Operate Transfer system and funded by state subsidies, EU grants and private sector financing.

The metro contract has become a test of the Greek government'e commitment to improving transparency in public sector investment projects. Three years ago the government tried to overturn an Ecu2.2bn ($2.35bn) contract awarded to Hochtief of Germany to build a new international airport for Athens. The German group was reinstated after pressure from the commission, but the project was delayed for almost two years.

The Thessaloniki metro was awarded to a Greek-led consortium in 1993, but negotiations collapsed last December. The public works ministry then turned to Bouygues. The Greek consortium was headed by Mechaniki, a Thessaloniki-based construction company listed on the Athens stock exchange, in partnership with ADTranz of Germany.

As the first Greek company to win an international tender for a big infrastructure project, Mechaniki came under tough scrutiny from the public works ministry. Mechaniki's chairman, Prodromos Emfietzoglou, claims the government discriminated against his company.

Mr Emfietzoglou said: "We were very close to signing when the ministry suddenly made several new demands which were unprecedented in this kind of contract."

The 9km metro through the centre of Thessaloniki would reduce traffic congestion and pollution. The project is strongly supported by local politicians because it would create a large number of jobs. But Greek environmentalists claim the metro would damage the city's Byzantine archaeological remains. A light rail system would cost less and could be extended to the fast growing suburbs, they argue.

Following the commission's warning, Costas Laliotis, public works minister, will come under pressure to abandon negotiations with Bouygues. The government would then have to decide whether to resume talks with Mechaniki or announce a new tender which would cause a further two-year delay.

# Poland election worries Moody's

By Christopher Bobinski in Warsaw

Moody'e, the US rating agency, has warned that Poland faces "extremely unfavourable policy developments" if Solidarity Electoral Action (AWS), the main opposition movement contesting parliamentary elections on September 21, forms the next government.

The agency, which has given Poland a Baa3 long-term foreign currency rating, by contrast praises the reformed communist Left Democratic Alliance (SLD), which has led a coalition government with the Polish Peasant Party (PSL) since the last elections in 1993. "The SLD has done nothing to slow economic reforms," Moody'e said in a report released in New York.

The SLD and the AWS are currently running neck and neck in the opinion polls, with around 25 per cent support each. Thus while the election result promises to be inconclusive, the next government may be formed in the wake of horse-trading between one of these two movements and smaller parties such as the PSL or the bitterly anti-communist Movement for a Reconstruction of Poland (ROP).

Moody's said it feared that Poland would face "populist fiscal and monetary policies as well as a xenophobic approach to the transfer of property rights" should these two smaller groups form a post-election coalition with the AWS. Moddy'e fears the AWS, based on the Solidarity trade union, could espouse a "neo-syndicalist approach" once in control.

A post-election coalition between the AWS and ROP, or one including the PSL would "threaten Poland's economic achievements registered to date", the agency warned.

The report was released as the former president, Lech Walesa, who is not running in the present election, urged a post-election coalition between the AWS and ROP as well as the Freedom Union (UW). Thie a small pro-market party led by Leszek Balcerowicz, the former finance minister who introdnced Poland's shock therapy reforms in 1990.

NEWS: WORLD TRADE

# US puts port sanctions on the Japanese

By Michiyo Nakamoto in Tokyo and Stella Burch in Washington

The US yesterday imposed sanctions on three Japanese shipping companies in a dispute over Japanese harbour practices.

The move came after months of difficult talks failed to prodnce a solution by yesterday's deadline.

It is the first time the US bas imposed sanctions on Japan since a dispute over access to the Japanese semiconductor market led to retaliatory tariffs on Japanese PC imports in 1987.

The sanctions by the Federal Maritime Commission, an independent agency, involve a $100,000 surcharge on NYK Lines, Mitsui OSK Lines and Kawasaki Kisen each time one of their vessels visits a US port. If the sanctions are imposed for a full year, it would cost the three shipping companies Y5.5bn ($47m).

Shares in the three companies fell on the Tokyo Stock Exchange yesterday. Nippon Yusen lost Y11 to Y423, Mitsui OSK dropped Y7 to Y208 while Kawasaki Kisen declined Y5 to Y181.

Japanese shipping companies, already facing a difficult time with their loss-making US routes, will be hard hit by the sanctions.

The European Union has also lodged a complaint with the WTO over Japan's harbour practices and has beld talks on the matter.

"We did not expect these unjustified sanctions to actually go into effect," Mitsui OSK Lines said yesterday. The company has no plans yet to suspend US operations but will review the situation if the sanctions remain in effect for some time.

Negotiations continue today in the bope that the practical impact of the sanctions can be averted by reaching an agreemeot satisfactory to the FMC by today, when the first Japanese vessels arrive in the US or at the least by October 15, when the actual payments become due.

The US complaint concerns stevedoring practices at Japanese ports which foreign shipowners claim keep prices high and prevent them from raising efficiency. In particular, shipping companies bave complained about a requirement that all changes to vessel schedules be made through the Japan Harbour Transportation Association, whicb represents cargo-handling companies.

A series of negotiations between Japanese and foreign shipowners, the JHTA and labour unions – mediated by the ministry of transport – led to a compromise proposal allowing shipping companies to negotiate directly with the stevedoring companies on cargo handling.

The JHTA has refused to accept the shipping companies' demand that they be allowed to revert to negotiations with the JHTA if discussions with stevedoring companies fail to produce satisfactory results.

The shipping companies are also asking the Japanese government to provide some kind of guarantee that the new system of direct consultations will provide results.

In Washington the commission stressed that it was prepared to review any further submissione from Japan.

Ronald Murphy, assistant secretary of the FMC, said he remained hopeful that a satisfactory resolution would be reached.

The US State Department expressed disappointment that tbe Japanese government had been unable to "demonstrate the leadership to bring the affected parties together and reform the port practices regime in Japan."

# EU farm chief rebuked over swipe at WTO

By Guy de Jonquières in London and Michael Smith in Brussels

Franz Fischler, the European farm commissioner, was publicly rebuked by the head of the World Trade Organieation and sparked a row in the European Commission yesterday over his suggestion that tha WTO lacked democratic accountability.

Mr Fischler said on Wednesday that "clear democratic controls" were needed over the world trade system. He spoke after a WTO trade disputes panel ruled illegal an eight-year European Union ban on hormone-treated meat.

Renato Ruggiero, WTO director-general, said introducing a "political element" into its disputes settlement procedures would undermine them. He said the procedures had been agreed by all WTO members, including EU governments, and approved hy their national parliaments.

Sir Leon Brittan, Europe's trade commissioner, was said to be "incandescent with rage" at Mr Fischler's comments and took the unusual step of writing to him to express his displeasure.

Although the taxt of Sir Leon's letter was not published, he is understood to have insisted that there was no democratic deficit in the WTO, and that the EU had always been a strong advocate of the body's dispute settlement mechanisms.

In Washington, the office of the US trade representative, which is challenging the EU beef ban, said the WTO had judged the case on its merits, and that its ruling should not be used as an argument for overturning the disputes settlement system.

But Mr Fischler's office said yesterday that he had not intended to call into question the WTO's decision-making processes. His reference to democratic control reflected the EU's view that it had the right to set, on a non-discriminatory basis, the consumer protection levels it wanted.

A spokesman insisted that this right was consistent with WTO rules on food safety, and that the agriculture commissioner's criticisms were directed at the hormones panel's interpretation of those rules. But other officials in Brussels criticised Mr Fischler for loose use of language.

Although the dispute over Mr Fischler's comments is expected to blow over soon, it may leave lingering strains, particularly on his relations with Sir Leon, whom some officials accused of over-reacting yesterday.

The incident is the latest skirmish between the EU trade commissioner and his Brussels colleagues, many of whom find his style unnecessarily abrasive.

# Cheesed-off producers take battle to US

## Food standards body will debate case for an unpasteurised tradition, writes Alison Maitland

A notice on the cheese counter in James and John Graham's delicatessen in the picturesque Cumbrian town of Penrith, north-west England, warns of a "grave threat to our cultural traditions" from across the Atlantic.

The warning is about US pressure for an international agreement banning trade in unpasteurised soft cheeses, on the grounds they can cause food poisoning.

Inviting customers to sign a petition to European Union governments, the notice asks supporters of "real" cheese to fight "this US attempt to force their food prejudices on the rest of the world".

Setting the standard: Camembert an lait cru – an unpasteurised cheese under Codex discussion

The clash of food cultures will surface again next month at a meeting in Washington of the food hygiene committee of the Codex Alimentarius Commission, the arcane but influential body thet sets international food standards.

The US will press its case in the face of opposition from European dairy exporting countries, lobbied by industry groups such as Normandy's producers of *camembert au lait cru*.

Codex recommendations bave gained new importance under the World Trade Organisation and were thrown into an unaccustomed spotlight this week by Franz Fischler, the EU agriculture commissioner.

Mr Fischler said work by the Codex to raise international food standards and protect public health was being paralysed because its texts had been elevated to quasi-legal status in trade disputes under the WTO's sanitary and phyto-sanitary (SPS) agreement.

This was scaring many countries off adopting Codex standards "which may now involve them in legally binding obligations which they cannot meet," be told a London food safety conference.

Codex member governments have asked to meet the sanitary and phyto-sanitary committee this autumn to clarify the role of Codex etandards, guidelines and recommendations.

"The new (SPS) agreement apparently gives the same recognition to standards, guidelines and recommendations," said Thomas Billy of the US Department of Agriculture, one of three vice-chairmen of the Codex commission. "There is a confusion and conflict there that needs to be sorted out."

But the idea that Codex decision-making could be any slower than it is already would amuse its many critics.

Consumer organisations have long been concerned about the transparency of its decision-making and tbe imbalance of representation between industry-funded and public interest groups.

They say the list of organisations that can send observers to Codex meetings includes 104 industry-funded groups, six health and nutrition organisations but just one consumer body, Consumers International – albeit a federation of 225 groups.

The Codex commission, comprising about 150 governments, meets once every two years in Geneva or Rome under the auspices of the World Health Organisation and the UN's Food and Agriculture Organisation.

Although not a household name, its decisions reach into homes around the world. It sets maximum levels for pesticide residues and additives in food and draws up standards for specific products – for example, how canned tomatoes are labelled and whether they may contain salt and starch.

In June, Consumers International claimed success in its campaign for greater inflnence when the Codex commission deferred a decision to allow worldwide use of BST, the controversial milk-boosting hormone used in cows in the US.

Bnt the consumer body complains too many decisions of the Codex expert committees are made behind closed doors. "Excluding consumer observers from these important committees only perpetuates industry dominance," said Leen Petre, global policy and campaigns officer.

At the same time, questions are being raised about the slow pace of Codex decisions at a time when food scares over salmonella, BSE and e.coli are driving rapid change in hygiene rules and controls, notably in the EU and US.

Mr Billy said Codex's role in setting international standards would remain important, especially for developing countries which may not have national regulations.

But its attempts to overcome conflicting perceptions about food safety in Europe and the US will prove difficult, and strains seem set to continue in trade relations.

For example, Codex experts reviewed five of the growth-promoting hormones in meat at the centre of a continuing dispute between the US and the EU and declared them safe. But the EU is nevertheless appealing against the WTO's recent ruling that the EU ban on such meat is an unfair trade barrier.

Mr Fischler said the legal precedents being set by the WTO disputes panel could impede countries wishing to introduce food standards higher than those of the Codex.

If the EU risks being accused of protecting its meat industry from US exports, European critics of the US move on cheese pasteurisation also suspect a hidden agenda. They believe the US is keen to avoid damage to its dairy industry from any association with e potential food scare.

Insiders say a compromise on cheese is likely when the issue returns to the full Codex commission in 1999, allowing "equivalent" production techniques to pasteurisation which ensure safety but do not affect flavour.

For the moment, customers at the Penrith grocery store remain up in arms. Alexander Evans, manager, said: "They feel that as long as they're given the information, they sbould be the ones who decide what they eat."

**The European Union is to appeal against a World Trade Organisation ruling that its ban on hormone-treated meat is unlawful under free trade rules.**

**The eight-year-old EU ban on imports of beef produced with the aid of synthetic growth hormones mainly affects imports from the US.**

**According to the US beef industry, the ban has cut sales to EU countries by between $100m and $250m e year.**

**The Commission's decision to appeal is backed by all EU member states and consumers' groups and is likely to precede the next meeting of the WTO's appeals committee, probably later this month.**

**Under WTO rules, once an appeal is made, the trade body has up to 90 days to issue a final ruling. If the EU loses the appeal the WTO's dispute settlement body could ask the EU to pay compensation to the US for lost trade.**

**If the EU refused, then the disputes body could authorise US trade retaliation to the same amount.**

**Washington has been backed in its complaint by Australia, New Zealand, Canada and Norway. Argentina, which exports beef free of hormone treatment, has supported Brussels' position.**

NEWS: INTERNATIONAL

# 'Nuclear power is answer to global warming'

By Simon Holberton in London

The world must turn to nuclear power to achieve the cuts it wants in greenhouse gases, Hans Blix, director general of the International Atomic Energy Agency, said yesterday.

Mr Blix, who retires from the IAEA in November, called on governments to debate the future of nuclear power, given the important role it could play in curbing global warming.

He said that, since 1988, when the international community met in Toronto and set a target of a 20 per ceot cut in carbon dioxide emission by 2005, emissions had instead grown by 16 per cent.

And in spite of this year's call by the United Nations for a 15 per cent reduction in carbon dioxide emissions by 2010, emissions could be 38 per cent to 50 per cent above their 1990 level.

"It seems curious that in a debate thet deals with the future health of the planet, a significant possible remedy [nnclear power] is simply ignored by raference to 'public opinion' without any serious examination whether that opinion is justified," he told a Uranium Institute confereoce in London.

He said it should be explained to the public that health risks associated with nuclear power were low and ought to be compared with the risks of using other ways of generating power. "We can, should and do set nuclear safety goals higher than any other energy generating technology."

However, he said the nuclear industry had lost its competitive edge to other forms of electricity generation, notably from combined cycle gas turbines.

"This edge needs to be restored throngh better management and economy, from the beginning to the end of the fuel cycle. This is a challenge for miners, nuclear plant engineers and operators – and regulators."

Mr Blix said it was unlikely that energy efficiency or energy production from renewable resources, such as solar, wind and thermal, could play anything but a minor role in reducing the production of greenhouse gases. A solar cell-based power station of 1,000MW would cover an area of 25 to 50 square kilometres.

"It is hard to imagine that the rapidly growing number of energy-intensive megacities – like Mexico City, Bombay, Calcutta, Jakarta, Shanghai or Istanbul – could satisfy their growing electricity demand by relying on renewables," he said.

Mr Blix also doubted if a system of regional or global "tradeable emission permits" could be developed. He questioned whether the world could negotiats greenhouse emission allocations for each country.

Meanwhile, Mr Blix said the IAEA was keeping a close watch on Iran's ambitions to become a nuclear power. To develop weapons-grade material Iran needed the ability to reprocess and enrich uranium. He said Tehran had discussed the issue with Russia but there was "nothing active" et present.

"The world is watching to see if Iran moves towards enrichment," he said.

# Iraq 'rollover' may set oil price tumbling

By Robert Corzine in London and Laura Silber in New York

Oil markets are nervously awaiting details from the United Nations in New York on how the Security Council will deal with the latest twist to emerge in the UN-supervised oil-for-food programme for Iraq.

Industry analysts say oil pricee could tumble by around a dollar a barrel depending on what solution is adopted by the Security Council next Tuesday.

Under the oil-for-food programme Iraq is allowed to export $1bn of oil every 90 days. The current period expires today, but Iraq is about $450m ehort of the financial target because exports were held up for much of the summer while a new aid distribution plan – demanded by Baghdad – was hammered out.

Last night diplomats in New York confirmed that a compromise solution had been reached and was being studied by the US state department. "It involves playing with the rollover periods," said one diplomat.

The resolution is also expected to rebuke Baghdad for not respecting the terms of the "oil-for-food" deal.

The debate this week has concentrated on two possible solutions. The first would allow Iraq to roll over the unsold exports from the current period into the next three months. The alternative would be to redefine the date at which the present period began from June 5 to August 15, the date that Iraqi exports actually began flowing.

The market impact of the first plan could be distinctly bearish for short-term oil prices, according to Mohammed Abduljabbar, an analyst at the Petroleum Finance Company in Washington DC.

A rollover would mean Iraq could be exporting an additional 300,000-350,000 barrels a day over and above the 750,000 b/d thet it would normally be shipping. That would take its average daily export to more than 1m b/d, an amount that could result in world oil prices falling by about a dollar a barrel, according to Mr Abduljabbar.

Re-setting the clock would be largely oeutral for prices, he said.

Bill Richardson, US ambassador to the UN, said he "could not anticipate what the council will do" and refused to comment on the US position, saying he was speaking in his role as the current president of the Council. However Mr Richardson yesterday travelled to Washington where diplomats said he would discuss the matter with senior US officials.

Rumours that the US was softening its traditionally tough approach to the oil-for-food programme have been making the rounds among oil traders and analysts recently.

But one western diplomat yesterday said US policy was still aimed at ensuring that Iraq did not receive any unintended benefits from UN Resolution 986 which enthorised the programme.

"Iraq has to be made to pay some price for its difficult behaviour," he said. The US is thought to be concerned that the formal structure of the programme be maintained as much as poseible. One of Washington's main fears when the programme began earlier this year was that its strict controls and rules would lapse over time and that Iraq could wind up with much larger exports without meeting the demands that it account fully for its programmes to develop weapons of mass destruction.

# Opposition in Kenya protest call

By Michela Wrong in Nairobi

The Kenyan umbrella group pressing for constitutional reforms before elections expected by the end of the year yesterday announced a new programme of mass action aimed at stepping up pressure oo President Daniel arap Moi's government.

The National Convention Executive Council (NCEC), which embraces human rights activists, religious leaders and lawyers, said it would hold a rally in the western town of Kisumu on Sunday, followed by nationwide strikes on September 17 and 18 and and October 8 and 9.

Representatives said they also hoped to muster up to half a million Kenyans to a rally in Nairobi oo October 10. It was unclear, however, whether the NCEC would be able to mobilise the kind of popular support seen in May, June and July, when protestors clasbed with security forces, students set up burning barricades and business ground to a halt in Nairobi.

In past weeks the once-united movement has splintered disastrously as opposition leaders irritated by their apparent sidelining have distanced themselves from the group.

# Turkey presses case for pipeline

## John Barham examines the politics of getting Azeri oil to world markets

Turkey is trying to repair its fraying strategy in the great game for power and influence in the energy-rich republics of the Caucasus and central Asia. Although every Turkish government has attached paramount importance to building Turkisb prestige in the region since the collapse of the Soviet Union, none has succeeded in sustaining a focused policy there.

Ismail Cem, foreign minister, and Ahat Andican, minister in charge of relations with the Turkic republics in Turkey's two-month-old secularist coalition, travel to Azerbaijan at the weekend to press Ankara's case that Azeri oil should be exported through a pipeline to the Turkish Mediterranean oil terminal of Ceyhan rather than competing routes through the former Soviet Union or the busy Bosphorus.

Last month Mr Andican said Turkey would emphasise the inevitability of the Ceyhan pipeline for transporting Caspian oil. "The pipeline is the jugular vein for Azerbaijan's oil and its independence from Russia," he said.

Now he seems to be signalling a softening in Turkey's support for its Turkic, Moslem ally Azerbaijan. Turkey backed Azerbaijan in its struggle with Armenia over Nagorno-Karabakh, the ethnic Armenian enclave. Although the shortest route to Ceyhan lies through Armenia, Mr Andican said this route was not the only alternative. There were other routes through Georgia or Iran.

To the fury of Haydar Aliyev, Azeri president, Ankara has also begun putting out informal but increasingly public peace feelers to Armenia, which it has blockaded during the Negorno Karabakh conflict. Diplomats say Turkey is piling pressure on Mr Aliyev to make peace with Armenia, hoping to increase the viability of a pipeline to Ceyhan. This would grant Turkey considerable geopolitical influence, provide transit fees for the treasury and contracts for Turkish companies. Although Mr Andican says Ankara would not accept any solution Azerbaijan rejects, "this pipeline project would benefit both sides."

The Azeri International Operating Company (AIOC), the consortium of international oil companies developing Azerbaijan's offshore Caspian oilfields, is to choose an export route towards the snd of next year. Turkey and Azerbaijan both believe this will be a political rather than purely commercial decision in which regional governments will heve a decisive say. Both their state oil companies joined the $8bn consortium headed by BP and Norway's Statoil that won the 30-year contract to develop the Azeri Caspian reserves.

Washington also favours a pipeline to Ceyhan, but its leverage over US oil companies in AIOC is limited and Congressional support for Armenia angers Turkey and Azerbaijan. Analysts say AIOC wants the cheapest route, but the mountainous Ceyhan route – with construction costs estimated at between $1.8bn and $4bn – would be among the most expensive options under consideration. Yet with concessions from Ankara, the oil companies could support Ceyhan.

> 'The pipeline is the jugular vein for Azeri oil exports'

AIOC was to start pumping oil this summer along two Soviet-era pipelines to Black sea terminals in Russia and Georgia. But disputes between Russia and Chechnya delayed the operation. Once the oil begins flowing, most of it will probably be shipped to markets in western Europe through the Bosphorus and Dardanelles straits. This may be the cheapest route, but soon the straits will become congested.

Turkey says increased oil sbipments throngh the straits – tankers already carry 35m tonnes of oil a year through the Bosphorus – threaten both the environment and the city of Istanbul with is 10m inhabitants. Under international law, Turkey cannot close the Bosphorus to shipping although it has imposed unilateral controls to prevent accidents.

Commentators say Turkey has not argued its case for Ceyhan effectively. Political instability – Mr Cem is the tenth foreign minister this decade – has undermined its credibility. Rival ministers squabble for control of policy. Decision-making has become dispersed througbout the bureaucracy. Mr Andican, an ethnic Uzbek from the secularist coalition's conservative Motherland party, makes no secret of his ambition to wrest central Asian policy from the foreign ministry, controlled by Mr Cem's Democratic Left party.

Experts say Turkey has become so convinced of the rightness of the Ceyhan route thet it ignores its shortcomings. The route is long and expensive. It crosses mountainous territory and would involve the jurisdictions of at least three states each with their own legal, tax and regulatory codes. Turkey has commissioned a World Bank-financed feasibility study for the Ceyhan route from PLE, a German company, but has not addressed legal, financial and technical issues.

The government has not begun discussing whether to lift the legal monopoly of Botaş, the state-owned pipeline company, whicb may be required for the Ceyhan route to eucceed. International banks may prove unwilling to finance the project without guarantees that a deficit-ridden treasury may bave trouble providing. Security forcee have not defeated the PKK Kurdish guerrillas, which might attack construction teams.

However, there is still time for Turkey to organise a strong defence for Ceyhan. If Turkey is really lucky, Mr Cem and Mr Andican will even learn to get along and perhaps remain in office for more than a year.

NEWS DIGEST

## Japanese trade surplus triples

Japan's contentious trade surplus more than trebled during the first 20 days of August compared with the same period a year ago, according to the country's finance ministry yesterday. The surplus, which caused considerable friction with the US in the 1980s and early 1990s, was higher than expected, rising 236 per cent from Y69.32bn to Y233.11bn ($1.9bn).

Although imports rose 6.7 per cent to Y2,094bn, the increase was more than offset by a strong surge in exports, up 14.5 per cent to Y2,327bn. The finance ministry said strong car exports were mostly behind the big rise in the surplus.

Meanwhile, domestic Japanese demand remains depressed, dragging down sales of most foreign automotive imports. Sales of imported vehicles in August fell 18.8 per cent from the same month last year to just 21,541 units – the fifth month they have declined. Excluding cars imported by Japanese manufacturers, foreign sales dropped 13.8 per cent to 18,761, according to figures published by the Japan Automobile Importers' Associatioo.

One apparent bright spark in an otherwise gloomy picture for Japan's domestic economy was an unexpectedly large increase in July household spending, which increased 3.2 per cent from a year earlier.
*Paul Abrahams, Tokyo*

■ TUNG FACES QUESTIONING

## US warns on HK democracy

Tung Chee-hwa, Hong Kong's post-colonial leader, can expect tough questions during his forthcoming US trip on the pace of democratic development in the territory and its autonomy from China following July's transfer of sovereignty, the US consul general warned yesterday. Richard Boucher described developments in Hong Kong as "a crucial bellwether" of China's commitment to the ooe country, two systems formula which underpins the handover and of its intention to keep other international commitments.

The US consul said Mr Tung would find a generally friendly environment, but signalled concerns over rules for elections next year. Mr Boucher said the rules appeared to many to be "a step backwards in terms of the path of democratisation".
*John Ridding, Hong Kong*

■ PM SEEKS CHANGES

## Thais debate new constitution

Thailand's parliament began debating a controversial new constitution for the country yesterday overshadowed by reports that the coalition led by the prime minister, Chavalit Yongchaiyudh, would attempt to water down some of the charter's most stringent measures before voting on it.

The draft charter is designed to reduce the influence of money in politics and create a more capable and efficient government administration. Mr Chavalit asked the non-politicians who drafted the new charter whether or not it could be improved.

His question was taken as a confirmation that his coalition may exploit a legal loophole to amend the draft before voting on it, a move that would violate the spirit of the year-long process of writing a new constitution by a group of noo-politicians largely free of political influence.
*Ted Bardacke, Bangkok*

■ PRESSURE FROM DEFAULTS

## Korea bank rescue loan

Bank of Korea, South Korea's central bank, said yesterday it would extend a one-year special loan of Won1,000bn ($1.1bn) to Korea First Bank from next Monday. A central bank statement said the special loan would carry an annual interest of 8 per cent. Korea First Bank, hit by a chain of defaults by big corporations, had asked the central bank for Won3,000bn. Separately, the finance ministry said the government would take part in a capital increase for the bank. A ministry official said the government would buy Won600bn worth of Korea First Bank common shares. A ministry statement said the government decided to help the Korea First Bank operate normally by extending liquidity. But the aid would be granted on condition the bank went ahead with its restructuring plan.
*Reuters, Seoul*

■ PAKISTAN AMNESTY ENDS

## Banks to pursue defaulters

Pakistan's central bank yesterday ordered public sector banks to begin legal action against loan defaulters. The move coincides with the end today of a three-month amnesty, which allowed defaulters to negotiate settlements carrying immunity from legal action. Defaulters owing a total of PRs25bn ($600m), about 20 per cent of the total due to banks, have approached the banks under the amnesty so far. Uoder new laws, Pakistani banks will be empowered aggressively to pursue defaulters.
*Farhan Bokhari, Islamabad*

# Fragility of Mahathir's vision is exposed

**James Kynge** on the suspension of big projects and doubts about companies' creditworthiness

The fragility of prime minister Mahathir Mohamad's bold economic vision for his country was thrown into sharp focus yesterday. Within the space of several hours last evening, Dr Mahathir first reversed a ban on short selling of shares announced earlier this week; and then he put on hold several mega-projects, including the M$13.6bn (US$4.5bn) Bakun Dam, that have come to symbolise his ambition to achieve economic development through bold infrastructure projects.

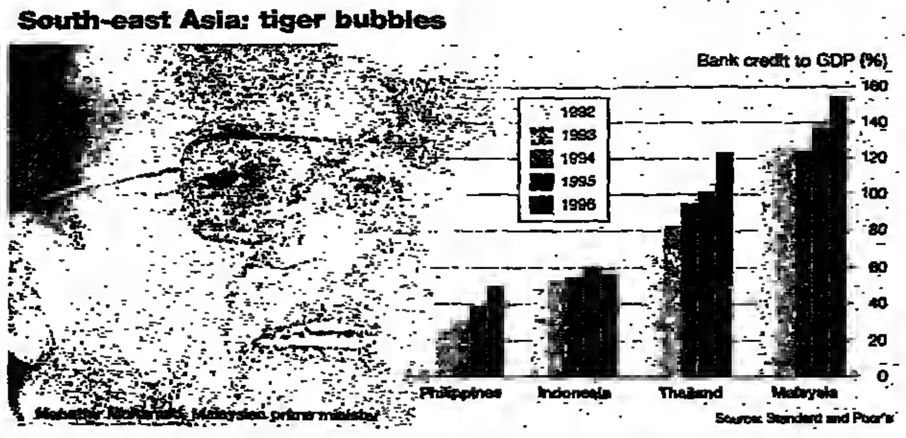
Yesterday's policy U-turns followed the announcement on Wednesday of an unprecedented M$60bn fund to support the country's stock market, which has fallen by 31 per cent in the past two weeks of the Asian currency crisis and by 42 per cent since its February peak. Dr Mahathir's shrill response to the crisis, in contrast to, say, neighbouring Indonesia, has unsettled the market as never before.

The problem for the main market casualities, the cream of the country's top industrial companies that are entrusted with executing infrastructure schemes, is that they are facing potentially crippling demands by banks for the repayment of loans, bankers said.

The demands have been triggered by the decline in the value of stocks used as collateral backing the loans.

"Once collateral devalues beyond a certain level, banks have to call in the loans," said one banker. He said the share value of several key Malaysian infrastructure companies had now reached levels at which repayment calls were imminent.

South-east Asia: tiger bubbles




**The cream of the country's top industrial companies – entrusted with carrying out big infrastructure schemes – are facing potentially crippling demands from the banks for the repayment of their loans**

The most frequently cited example is Renong, the country's largest infrastructure company. In spite of ferocious selling pressure, Renong's share price has yet to fall below the M$3 level at which analysts believe loan calls would be activated.

The company, which has impeccable political connections, is the leading participant in Dr Mahathir's grandest acts of nation-building. It is taking a leading role in building Putrajaya, a M$20bn administrative capital which is already under construction, and Cyberjaya, an information technology city planned to nestle by Putrajaya's side.

The two together are to form the main infrastructure within the "multimedia super corridor" (MSC), which envisages the creation of a kind of Silicon Valley in Malaysia.

The MSC is the centrepiece in Malaysia's planned transformation from a medium technology manufacturing base to an advanced participant in the information age. If Renong runs into debt repayment problems, it is difficult to envisage Putrajaya, Cyberjaya and the MSC – as well as several minor infrastructure schemes – going ahead as planned, analysts said.

The scale of the problem, the analysts added, provided the answer to why the prime minister announced on Wednesday that he had set aside M$60bn, equivalent to 43 per cent of the country's entire gross domestic product last year, to prevent selected companies from falling victim to loan calls.

An unspecified premium to be paid by the fund to Malaysians selling shares is seen as a way of bailing out companies such as Renong, analysts said. Other companies which may benefit include MRCB, another diversified infrastructure company; Country Heights, a property and construction company; DRB-Hicom, an industrial conglomerate responsible for making Proton, the national car; and Malaysian Airlines, the national carrier. There are others, too.

Terry Chan, associate director of financial institutions ratings in the Asia-Pacific for Standard and Poor's, the international rating agency, said bank lending to some large Malaysian corporations was coming under increased scrutiny. Bank credit in Malaysia is expected to reach 170 per cent of GDP this year, which is a far higher level than in neighbouring Thailand.

He added that a particular risk attended some large corporations which have borrowed both at holding company level and at subsidiary level. The danger of such "double leverage" was that if the profits of subsidiaries were squeezed in Malaysia's economic slowdown, they might not be able to pay sufficient dividends to satisfy the loan service charges of the holding company, Mr Chan said.

This could have severe repercussions on the banking system, which is dangerously exposed to holding company debt. The Arab-Malaysian Bank, one of the country's largest, has 44 per cent of its total lending to investment holding companies, Mr Chan said.

Another problem which is typically Malaysian is that many among an inner circle of top entrepreneurs are believed to have borrowed significant amounts using their controlling stakes in key companies as collateral.

Some of this borrowing, which does not show up on company balance sheets since it is private, is denominated in foreign currencies, such as the US dollar. If banks call in these loans, it is conceivable that some of these tycoons will have to sell down their controlling stakes in key companies.

"The tycoons do borrow money and secure it with their shares," said Mr Chan.

With such pitfalls lurking, it is perhaps not surprising that Dr Mahathir is willing to tap the state coffers. As he said recently, without such short-term measures, "there would be no long-term measures".

There are questions, however, as to how long the buying operations can be sustained before the money runs out. Half of the M$60bn fund is to be raised by borrowing through the launch of state bonds. But, as one analyst said, "who has the money to buy bonds?"

# Bakun blow to both contractor and client

When ABB, the Swiss-Swedish engineering group, announced in June last year that it had won the Bakun hydro-electric contract it was proud to proclaim its success in securing its biggest ever order.

Those celebrations have turned out to be woefully premature. Yesterday's announcement from the Malaysian government that it is postponing indefinitely the M$13.6bn (US$4.5bn) scheme along with other government-sponsored projects may not be the final word on Bakun. But, at the very least, it could be years before the scheme is revived. And there is no guarantee that Kuala Lumpur would go back to the ABB-led consortium with its order.

The cancellation is a big blow to the prestige of Malaysia and of Mahathir Mohamad, the prime minister, who backed the scheme. It is also a considerable setback for ABB and Goran Lindahl, the chief executive, who personally supervised the contract in his previous job as head of the company's power transmission business. ABB shares fell yesterday 2.5 per cent in Zurich and 2.2 per cent in Stockholm. Even though the loss of the Bakun order would reduce turnover and profits by only a few percentage points, the damage to ABB's morale could be considerable since Mr Lindahl set such great store by the scheme.

ABB executives said yesterday they were "surprised" by the news from Malaysia. However, the Bakun scheme was in serious difficulties even before the current financial typhoon struck Malaysia. From the outset it was clear that the government's aim of financing the scheme in the private sector was very ambitious. The main burden fell on Ekran, an industrial group headed by Ting Pek Khiing, a close associate of Dr Mahathir, the biggest shareholder in Bakun Hydro-Electric Corporation (BHC), the company set up to develop the scheme.

The plan was for Ekran and its fellow shareholders – mainly Malaysian state-owned companies – to float BHC on the stock market and to raise further funds from banks. But the partners stumbled at the first hurdle in June with the failure of an Ekran rights issue. Talk of a BHC flotation became fanciful. Bankers were also reluctant to lend to the dam because it promised a 12 per cent return on capital, when they wanted 20 per cent or more for a risky scheme involving building a dam in the jungles of Sarawak and linking it to peninsular Malaysia with a 1,350km cable, half under sea.

Meanwhile, talks between Ekran and ABB, aimed at settling details after the contract was signed last year, stalled over the tricky issue of responsibility for possible cost over-runs. The problem loomed ever larger because the Malaysian ringgit fell 20 per cent against the US dollar after early July and many costs were denominated in US dollars. Swiss financial analysts say the cancellation would do more harm to ABB's image than its bottom line. Frederick Hasslauer of Bank Sal Oppenheim, the investment bank, estimates that the US$2.5bn of Bakun orders booked by ABB over the last 18 months is equal to less than 7 per of ABB's total order flow. In terms of profits, Mr Hasslauer estimates that it could reduce 1999 earnings by up to 5 per cent. Other analysts suggested the profit loss could be even less since prestige projects such as Bakun are often won on below-average margins. ABB has incurred costs in preparing the scheme but its consortium had not yet started construction. It may be able to sue for compensation.

The cancellation may raise questions about the strategy of Mr Lindahl, who has put a stronger emphasis on sales and marketing than his predecessor Percy Barnevik, now chairman, who handed over day-to-day control of ABB in January.

But at least one group of people was pleased with yesterday's news – environmentalists who have opposed the scheme. Peter Bosshard of the Berne Declaration, a Swiss environmental group, described the announcement as a "very positive development".

**Stefan Wagstyl, James Kynge and Bill Hall**

Competitive, efficient system foreseen but still some way off

# Australia set for bank reforms

**By Elizabeth Robinson in Sydney**

A new Australian banking system, delivering efficiency through greater competition and regulation is still some way off, according to many observers of the reforms announced by the government this week.

While the review has been widely welcomed, the reforms are not expected to be implemented for another two years, giving market participants time to jostle for position.

The main points of the reforms were recommended in a government-commissioned report by Stan Wallis, a leading Australian businessman, presented in April.

Mr Wallis was asked to design a system that could gain efficiencies from a market worth A$40bn (US$30bn) a year without compromising security. Most of his 115 recommendations have been adopted.

Peter Costello, federal treasurer, predicts that everyone is a winner, with consumers and businesses in particular standing to gain "billions of dollars of benefits" from the new system.

The thrust of the reforms centre on increasing competition. Non-banks are to be allowed to compete on an equal footing with banks provided they fulfil criteria set out by the Reserve Bank. They will be able to offer the full range of financial services to consumers and get the same level of protection.

Costello: everyone a winner

The reforms recognise the increasingly blurred distinction between banks and non-banks: building societies, credit unions and life insurers will be able to enter banks' territory, while companies such as Telstra, the telecommunications group, and retailers will be able to provide financial services.

Over-arching the industry will be a refined regulatory structure to ensure protection filters through the newly created layers. Two new bodies will be formed: the Australian Prudential Regulation Authority will oversee the safety of all financial institutions; and the Australian Corporations and Finance Services Commission will be formed to ensure consumer protection and act as a market regulator. A third supervisory role – to regulate the payments system – will continue to be conducted by the Reserve Bank.

The clear winners under the new system will be the credit unions, building societies and insurers who are already active in the personal finance market and who will soon be able to offer the same deposit-taking facilities currently enjoyed by banks.

The market will also be regulated at a national, rather than a state level, affording these smaller players a level playing field. Although shares in the big four banks fell steeply immediately after the announcement of the reforms, not all is gloom for them.

The reforms say that non-operating holding companies will be able to hold banking licences, which will allow banks to own more than one licence. In addition, they are to be freed from having to hold non-callable deposits, earning them low returns, at the reserve bank.

However, Mr Costello stipulated that the "four pillars" rule – referring to the country's four leading banks – should remain, preventing takeovers between the main banks. National Australia Bank, the strongest, was disappointed by this as it has long argued for formation of financial conglomerates.

Don Argus, NAB's managing director, admitted he was disappointed at the "policy vacuum in regard to industry mergers" but admitted that mergers could be "politically difficult".

Although ANZ and Westpac are seen as the most vulnerable to takeover, the treasurer retains the right to approve stakes exceeding the 15 per cent limit, raised from 10 per cent.

While in theory the market has also been opened up to foreign takeovers, the 15 per cent rule means in practice that foreign banks would have to buy either 100 per cent or less than 15 per cent.

# Ricupero warns over Brazil economy

By Geoff Dyer in São Paulo

The Brazilian economy is weaker than several of the south-east Asian countries hit by currency crises over the last two months, according to Rubens Ricupero, the former Brazilian finance minister.

The slow progress of reforms of the civil service and the social security system, crucial to reducing the budget deficit, and the failure to boost exports were increasing the vulnerability of the Brazilian economy, said Mr Ricupero, now secretary-general of the UN Conference on Trade and Development.

Mr Ricupero, a former Brazilian ambassador to both the UN and the US, was finance minister in 1994 during the launch of the new currency, the Real.

The economic crisis in Asia has focused attention on the Brazilian economy, because of its large fiscal and current account deficits. Brazilian shares have fallen sharply since the Asian crisis started in mid-July, although they recovered some ground this week.

Mr Ricupero's tone contrasts with the more optimistic outlook of most economists. They argue that Brazil will avoid a crisis in the short term because of the strong inflows of direct investment that the economy is receiving, spurred by a large privatisation programme, and because of its sizeable reserves.

Speaking in São Paulo, Mr Ricupero said several of the south-east Asian countries facing currency crises had lower budget deficits and a greater capacity to export than Brazil. And unlike Mexico in 1994, Brazil does not have a stand-by economic agreement with the IMF.

He added that Brazil's high levels of foreign direct investment had drawbacks as well. In the short term, new foreign companies tend to import heavily and in the medium term they could start to repatriate profits and dividends, leading to heavy capital outflows, he said.

Mr Ricupero said the government was correct to stick to its strong currency policy to keep inflation under control.

However, arguing that economic "stability is a long way from being guaranteed", he called on President Fernando Henrique Cardoso to turn next year's presidential elections into a referendum on the stalled fiscal reforms. "Only the mobilisation of the public will guarantee the success of the reforms," he said.

He also urged the government to adopt a more aggressive strategy towards increasing exports and competitiveness, including greater dialogue with the private sector about export opportunities.

# Computers nudge cocoa off the map

A US businessman takes advantage of competition between Brazilian states on incentives, says **Geoff Dyer**

American capitalism does not come in more pure a form than George Saint Laurent III, the son and namesake of a well-known businessman, a one-time options trader and the 36-year-old founder of his own computer company.

Yet it was the unlikely figure of Mr Saint Laurent that the Brazilian town of Ilhéus, in the tropical, north-eastern state of Bahia, brought in to revitalise its economy when the cocoa crop, its main industry, was devastated by disease.

Aided by a generous range of tax breaks, Mr Saint Laurent's company, Vitech, set up a factory two years ago in Ilhéus, a stone's throw from a palm tree lined beach, where it produces computers, televisions and videos for the Brazilian market. With a staff of 450, mostly former workers on cocoa plantations, the Nasdaq-listed company is now the region's largest employer.

This improbable partnership resulted from an improbable contact. Mr Saint Laurent arranged the tax deal through José Haroldo Vieira, the septuagenarian former head of the government's cocoa institute and a leading local figure. "There we were, this old cocoa guy who knew nothing about computers, and me this young techno nerd from Yale," he said.


Vitech is one of the many multinational companies which are investing rapidly in Brazil at the moment, often in consumer industries, in an attempt to tap an expanding middle class. Brazil is expected to receive $15bn of foreign direct investment this year.

But the Bahian factory is also an interesting example of a more controversial trend, the large fiscal incentives on offer to foreign companies from state and municipal governments, which are falling over each other to have the new factories situated in their own backyards.

Critics say the so-called "fiscal war" is developing into a vicious cycle of ever more generous tax breaks.

Vitech's package of incentives includes a 10-year holiday from the state sales tax. However this pales in comparison with the R$253m ($231m) credit General Motors received from the Rio Grande do Sul government for a new factory. The federal government has also been offering incentives for car makers to move to the less-well developed north-east of the country.

"The situation is becoming absurd," said Antônio Barros de Castro of the Federal University of Rio de Janeiro and a former president of the National Development Bank (BNDES). He claimed one state government has offered to pick up a company's wage bill for three months, while another has proposed paying several months transport costs. "It is very difficult not to dance when this music starts to play," said Mr Barros de Castro.

Critics claim state governments are throwing money away as the bulk of the new investment would come to Brazil anyway. "These companies are here because of the potential market, not the incentives," said Carlos Alberto Maria of Trevisan Consultants.

Moreover, tax breaks come at a time when many state governments are suffering a severe fiscal crisis, after the cut in inflation exposed huge holes in their finances. Most of Brazil's 27 states are now negotiating refinancing of debts they cannot meet with the federal government.

In an attempt to put a break on the process, Senator Waldeck Ornelas from Bahia has authored a bill which calls for some regulation of the incentives. To some observers, however, it goes against the federal nature of the Brazilian political system.

For the local politicians the tax breaks are a valid means of attracting jobs. The Ilhéus case is again a dramatic example of the national picture. The region's economy was thrown into crisis when witches broom disease began to decimate the cocoa crop in the early 1990s. Production in what was once the world's biggest cocoa area has dropped by 70 per cent.

José Henrique Abobreira, the town's deputy mayor, said drastic action was needed because 250,000 people in the region lost their jobs due to the cocoa blight. "What the municipality loses in revenne from incentives is more than compensated for by the jobs and wealth that are generated," he said. Although the companies are the biggest winners from the fiscal war, the incentives sometimes come with strings attached.

To meet employment targets set by the council, some parts of the production process in Vitech's factory use people when machinery would be more efficient. And Vitech was forced to move into an old cocoa processing factory, part of which was used for drying the crop.

"The building is too hot in the summer, which in this part of the country means most of the year," said Francisco da Conceição, the production manager.

Based in a region dominated by farming, Vitech has had to train virtually all its staff from scratch in how to manufacture hi-tech goods. "We gobbled up all the people with any technological skills," said Mr Saint Laurent. "You will not find a TV repairman around here for miles." The other danger with fiscal incentives is that the companies move elsewhere when credit runs out. Vitech had set up in 1992 in the state of Espirito Santo, but left when it fell out with the local government.

Could the same happen in Bahia? Clutching a picture of a 3km stretch of beach he has recently bought nearby, Mr Saint Laurent insisted: "I am here for life."

## NEWS DIGEST

# Caracas opens up telecoms

The Venezuelan government is to open the wireless telephony market further later this year, providing competition to the two companies banned in July from taking on new customers because of poor service. Moisés Orozco, minister of transport and communications, said this week that pre-qualification would start in a bid to take on Telcel and Movilnet, which are facing difficulty in meeting unexpectedly strong demand.

The regulatory agency Conatel imposed the ban on new customers, apparently because the service had deteriorated under excessive demand. Telcel belongs to the Cisneros group of companies and Movilnet is a subsidiary of the telecommunications company Cantv. Venezuela currently has technical capacity to accommodate two more cellular telephone operators, the minister said.

Mr Orozco also said there would be pre-qualification this year for investors interested in competing in basic telephony after Cantv's monopoly expires in 2000. The bidding process, which initially was not expected until 1998 or 1999, is being brought forward so that the winning investor can have an early start on infrastructure projects. *Raymond Colitt, Caracas*

### US ENERGY DEREGULATION

## Public still left in the dark

Many Americans remain either sceptical or ignorant of the impending deregulation of the energy market, despite the belief of supporters that it will bring huge benefits to both corporate and residential consumers.

Two surveys published yesterday suggest that freedom to choose one's electricity supplier, the slogan proclaimed by advocates of change, has yet to join life, liberty and the pursuit of happiness on the list of rights cherished by Americans.

The studies also suggest that the widely varying results of deregulation in telecoms and aviation – with some prices falling and others steady or even higher – have left consumers wary of the effects of free competition. One set of data focused on the results of an experiment with retail competition in New Hampshire, a state where demand for freedom of choice should on the face of things be exceptionally high. *Bruce Clark, Washington*

### US FILM INDUSTRY

## Warning on internet piracy

Internet service providers must not be allowed to escape liability for infringements of US copyright law perpetuated by online pirates, Hollywood lobbyists told a Washington committee yesterday. The film industry, which already lost an estimated $2bn a year to illicit video copying in China and Russia, stood to lose billions more as digital technology improved, according to the Motion Picture Association of America. Giving evidence to the Senate judiciary committee, which is reviewing copyright issues raised by the growth of internet traffic, the association said legislators should ignore "nightmare scenarios" presented by service providers. Online service groups, such as America Online – which has 9m subscribers compared with 3m two years ago – feared a flood of liability litigation, said Mr Fritz Attaway, the association's top lawyer. *Christopher Parkes, Los Angeles*



## COMPANY NOTICES

NOTICE TO NOTEHOLDERS AND WARRANTHOLDERS OF THE SHIBUSAWA WAREHOUSE CO. LTD. US$100,000,000 2⅞ PER CENT. NOTES WITH WARRANTS 1999

Notice is hereby given to the holders of the above mentioned Notes with Warrants that The Nippon Credit Bank, Ltd. has resigned as Paying Agent and Warrant Agent for The Shibusawa Warehouse Co., Ltd. in connection with the above mentioned issue effective as from 30th September, 1997.

5 September 1997

The Shibusawa Warehouse Co., Ltd.

NOTICE TO BONDHOLDERS AND WARRANTHOLDERS OF MITSUI TOATSU CHEMICALS, INCORPORATED US$300,000,000 4 PER CENT. BONDS WITH WARRANTS DUE 1998

Notice is hereby given to the holders of the above mentioned Bonds and Warrants that The Nippon Credit Bank, Ltd. has resigned as Paying Agent and Warrant Agent for Mitsui Toatsu Chemicals, Incorporated in connection with the above mentioned issue effective as from 30th September, 1997.

4 September 1997

The Mitsui Toatsu Chemicals, Incorporated

NOTICE TO BONDHOLDERS OF THE NIKKO SECURITIES CO. LTD. US$30,000,000 3⅛ PER CENT. CONVERTIBLE BONDS 1999

Notice is hereby given to the holders of the above mentioned Bonds that The Nippon Credit Bank, Ltd. has resigned as Paying Agent and Conversion Agent for The Nikko Securities Co., Ltd. in connection with the above mentioned issue effective as from 30th September, 1997.

4 September 1997

The Nikko Securities Co., Ltd.,

**M.I.M. Holdings Limited**
**ACN 009 814 019**
**410 Ann Street, Brisbane Queensland 4000 Australia**

Notice is hereby given that at the Annual General meeting of the Company to be held at 10.00am on 13 November 1997 at Brisbane, Australia, an election of directors will be held.

D.M. Munro
Secretary and General Counsel

## PUBLIC NOTICES

SECTION 8 WATER INDUSTRY ACT 1991 ENVIRO-LOGIC LIMITED

Notice is given that ion 29.08.97 Enviro-Logic Limited of 42-46 Weymouth Street, London W1N 3LQ applied to the Director General of Water Services for an appointment as a water undertaker to replace Dwr Cymru Cyf in respect of the area at Aber Park Industrial Estate, Flint, Clwyd CH6 5EX at present occupied by Kimberly-Clark Europe. The application is made in the circumstances described by Section 7(4) (bb).

## CONTRACTS & TENDERS

**CIVIL COURT OF FLORENCE**

Official Receiver Dr. Valentino Pezzuti

Liquidating Commissioner Dr Aurelio M. Campanale

Procedure No. 744/96 of arrangement with creditors for the sale of the assets of the Company I.R.A. - Immobiliare Riviera d'Arno in liquidation with offices in Florence, Corso Italia no. 29.

NOTICE OF THE SALE OF PROPERTY WITHOUT AUCTION OF THE HOTEL COMPLEX CALLED "HOTEL VILLA LA MASSA"

On 15th October 1997 at 10.30 a.m. in Piazza S. Firenze, 5 before Official Receiver Dr. Valentino Pezzuti, in his offices at the court of Florence, the sale without auction will take place of the following company complex, including the real estate, licences, furnishings, equipment and the moveable property of various kinds included therein as well as the pertinences (whatever and however many they may be), all in their present condition and legal state, in the following single lot:

A) well established 5 star hotel, called "Hotel Villa La Massa", located near the South Florence exit of the A1 motorway, direction Bagno a Ripoli (locality Candeli), comprising 44 rooms, 5 of which suites, and building permit for over 52 rooms, together with the restaurant "Il Verrocchio" with kitchens, garage and various services, bar, pool, private club "Le Cave", as well as the surrounding gardens with ample uncovered parking spaces. The hotel complex is comprised of:

1. Four storey villa and a floor with attached pool for a total net surface area of approximately 1,751 sq.m.;
2. Two storey annexe, with mezzanine floor and basement, for a total net surface area of approximately 1,311 sq.m. as well as 268 sq.m. of terraces and veranda and a 260 sq.m. roof garden;
3. Two storey building for the personnel with attached greenhouse for a total net surface area of approximately 521 sq.m. with e 33 sq.m. portico and a 24 sq.m. closed roof area used as e storeroom;
4. Chapel and annexes of approximately 32 sq.m. with small, two storey side building for heating and air conditioning system;
5. 87 sq.m. swimming pool with paved area;
6. Park land on which the hotel complex is situated for a cadastral area of 8,789 sq.m. (including the areas of the buildings);
7. Tangible and intangible goods, plants and equipment, vehicles, furniture and antique furnishings in the rooms, the central hall, the various convention rooms, the restaurant and the communal parts;
8. Concessions for hotel management (1 licence for the main hotel of 28 rooms and 52 beds and 1 licence for the annexe of 11 rooms and 22 beds); 1 licence for the serving of food and drink, 1 licence for the sale of alcoholic beverages as well as 1 licence for the swimming pool.

B) Movable and immovable pertinences not part of the company comprising:

1. Small, 2 storey manor house with basement for a total net surface area of approximately 460 sq.m.;
2. 2 storey colonial house with basement, to be entirely restructured, for a total net surface area of 440 sq.m.;
3. Fluvial park land for rural use with definitive project for a golf course for a total of 43,740 sq.m.;
4. Land for building use of 11,400 sq.m. with building project for a further 52 rooms;
5. Equipment for the maintenance of the land, buildings and warehouse equipment.

For further details regarding the cadastral description of the real estate of the hotel company and those relative to the pertinences not part of the company, the type of the concessions, the commercial licences and the identification of the tangible property, please consult the individual (C.T.U.) reports available to all those interested at the offices of the Judiciary Commissioner Dr. Aurelio M. Campanale, via Masaccio 233, Florence Italy, tel +39 55 5000733.

Notice is given that:

- the sale of the hotel complex, including the real estate, the furnishings, equipment and immovable property of various kinds included therein, will be carried out in the present condition and legal state and with all the pertinences, accessories, laws and deeds, any passive and active easements as a whole and not separately in their present state. The buyer has no right whatsoever to a reduction in the base offer price also in relation (with regards to the property part) to their urbanistic location, as well as with reference to the safety, accident prevention and fire regulations etc.;
- only the hotel complex (A) is subject to the special privilege (first degree voluntary mortgage) from Italfondiario and Banca Commerciale Italiana (judiciary mortgage);
- the branches of the company relative to the hotel activity "Hotel Villa La Massa" and the serving of food and drink in "Ristorante Il Verrocchio" have been leased, with the obligation by the tenant to reconsign them absolutely by 1.12.97;
- the Manor house is occupied by the same shareholders of the debtor company without rights since the rent contract stipulated by the same is invalid. However, they are obliged to reconsign it empty within 60 days of the date of the adjudication;
- the duties relative to the registration, transfer of property, transfer of assets, the relative taxes, except for INVIM, are to be paid by the buyer;
- the buyer must allow the parties delegated for the proceedings access to the company and the use of the employees for the necessary settlement of affairs, book-keeping and other, for the activity carried out until the date of the transfer of the company without asking any compensation for this.

The minimum offer price has been fixed at ITL 12,800,000,000 (twelve billion eight hundred million).

Offers which foresee deferred payment will also be taken into consideration on the condition that the period for the payment does not exceed three years from the date of definitive adjudication and that the instalments are guaranteed by a unconditional and immediately payable at first request bank fidejussion, issued by an Italian Banking Institute operating in ordinary credit.

For the comparative evaluation of the offers which foresee the payment of all or part of the cost, the up-dating of the deferred part of the same will be used, applying an annual rate of 6% (six per cent) and using the true discount formula, that is:

present value = capital minus capital x interest rate x days : 36500 + interest rate x days

Those who intend to participate in the sale without auction must deposit their offer on stamped paper (judiciary acts), not less than the base price ITL 12,800,000,000 (twelve billion eight hundred million) in a sealed envelope, accompanied by a deposit of 20% of the base price as a deposit for expenses and ITL 1,000,000,000 (one billion) as cautionary money by means of non-transferable bank drafts made out to "Concordato Preventivo IRA - Immobiliare Riviera d'Arno S.p.A." by 9.30 a.m. on the day fixed for the sale, to the Cancelleria Fallimentare (Bankruptcy Chancellery) of the Court of Florence.

The resulting total price will be calculated to the assets, real estate and non - constituting the company complex - and pertinences not part of the company, in proportion to the values determined by the C.T.U. reports and deposited in the files of the proceedings. The sale of the hotel complex in point A) is subject to stamp duty while the sale of the rest (non-company pertinences and other) is subject to IVA (Italian VAT).

The envelopes will be opened at 12.30pm on the same day at the office of the Official Receiver.

In the case of more than one offer, after the opening of the envelopes, the sale will proceed with the highest offer, up-dating the part of the deferred payment with the application of the up-dated coefficient of 6% and applying the true discount formula referred to above.

The minimum increase must be of at least ITL 120,000,000 (one hundred and twenty million) in up-dated terms.

In the absence of more than one offer, the person offering the base price will be adjudicated the sale.

Within the deadline of 60 (sixty) days from the adjudication, the final buyer must transfer, to the above mentioned Chancellery, by means of non-transferable bank drafts made out as indicated above, the remaining price deducting the amount already paid as a deposit or the part of the offer price in cash (net of the deposit) in the case that the offer foresees, at least in part, deferred payment and, in this case, must consign at the same time to the Chancellery, an unconditional and immediately payable at first request fidejussion, issued by an Italian banking Institute operating with ordinary credit (the text of which must be the same as that held in deposit by the Liquidator) in order to guarantee the payment of the deferred part of the price.

It is possible to visit the hotel complex and relative pertinences with prior authorisation from the Judiciary Commissioner. Further information from the Bankruptcy Chancellery or from the Liquidator Dr. Massimiliano Aurelio Campanale, Via Masaccio 233, Florence, Italy (Tel +39 55 5000733).

Florence, 30th July 1997

The Chancellery Collaborator

Franco Manetti

## LEGAL NOTICES

No. 3403 of 1997

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF IPECO HOLDINGS plc
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 19th August 1997 presented to Her Majesty's High Court of Justice for (a) the sanctioning of a Scheme of Arrangement and (b) the confirmation of the reduction of capital of the above named company from £3,500,000 to £2,599,935.70.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Judge at the Royal Courts of Justice, Strand, London, WC2A 2LL on Wednesday 17th day of September 1997.

ANY Creditor or Shareholder of the said company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated the 5th day of September 1997

ASHURST MORRIS CRISP
Broadwalk House
5 Appold Street
London EC2A 2HA
Solicitors for the above named company

IN THE MATTER OF
**GOVETT GLOBAL SMALLER COMPANIES INVESTMENT TRUST PLC**
AND IN THE MATTER OF
THE INSOLVENCY RULES 1986
(IN MEMBERS VOLUNTARY LIQUIDATION)

In accordance with rule 4.106 of the Insolvency Rules 1986 notice is hereby given that Joe Jacob and Nigel Ruddock of Robson Rhodes, 186 City Road, London EC1V 2NU were appointed Joint Liquidators of the above company by the members on 27 August 1997.

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before the 3 October 1997 to send their names and addresses, with particulars of their debts and claims to the undersigned Joe Jacob and Nigel Ruddock of Robson Rhodes, 186 City Road, London EC1V 2NU the Joint Liquidators of the company, and if so required by notice in writing from the Joint Liquidators either personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice and in default thereof they will be excluded from the benefit of any distribution made before such debts are proven.

Note: This notice is purely formal and all creditors have been or should be paid in full.

Dated 29 August 1997

I JACOB and N RUDDOCK Joint Liquidators

NOTICE TO BONDHOLDERS AND WARRANTHOLDERS

KATOKICHI CO., LTD
US$190,000,000 ⅞ PER CENT
BONDS WITH WARRANTS 1997

NOTICE IS HEREBY GIVEN to the holders of the above mentioned Bonds with Warrants that The Nippon Credit Bank, Ltd. has resigned as Paying Agent and Warrant Agent for Katokichi Co., Ltd. in connection with the above mentioned issue effective as from 30th September, 1997.

5th September, 1997

Katokichi Co., Ltd.

Car in which princess died was second-hand and the only one owned by hire company

# Diana driver used to work for French police squad

By Jimmy Burns in London and Andrew Jack in Paris

Henri Paul, the driver of the car in which Diana, Princess of Wales, was killed, worked for the French special branch before being employed by the Paris Ritz hotel owned by *Mohammed Fayed.*

It also emerged yesterday that the car involved in the fatal accident – a *Mercedes* S-280 – was second-hand. It was the only vehicle owned by the hire company under contract with the Ritz.

Although it was disclosed officially that Mr Paul was driving at above the legal alcohol limit, the public emphasis of the local police and judicial authorities appears to have been on investigating photographers.

Friends and local journalists confirmed that during the 1980s, Mr Paul used to drink regularly in a Paris bar where he is understood to have provided information to the police.

Contacts continued with the police after he joined the Ritz staff and became deputy head of security.

The car which Mr Paul drove on the night of the fatal accident was owned by Etoile Limousines. But company filings show that the business was created only last year. It had a single car leasing contract, for the Mercedes S320 that crashed on Sunday.

The company's registered office is the Paris home of Jean-Francois Musa, the only director, who refused to *answer calls yesterday.*

● British newspapers, running out of paper because of soaring sales after the death of *Diana, have asked* Swedish newsprint producers to increase output.

Lars-Ove Staff, president of Stora's Kvarnsveden mill, said yesterday: "Several London daily tabloids have called and asked for more paper at short notice. But we are already running at full capacity, seven days e week around the clock."

MoDo, another Swedish group, said there was also strain on newsprint supplies to Germany and Sweden because of blanket coverage of Diana'e death.

In London, the BBC last night backed down on an earlier refusal to provide a live television feed of its coverage of tomorrow's funeral service to Cable News Network, the US company, which has the largest potential audience of any broadcaster – an estimated 500m in 210 countries.

PA News

Staking a claim: a mourner waits near Westminster Abbey for tomorrow's funeral. He arrived on Wednesday

The dispute between the companies reflected growing international competition between CNN and BBC World, the UK broadcaster's external television service which reaches 187 countries.

● Representatives from 50 countries will attend Princess Diana's funeral tomorrow, but Buckingham Palace and the Spencer family have dispensed with regular protocol in drawing up the invitation list, David Buchan writes.

The Foreign Office said the list of guests would reflect "countries the princess had visited and people she had known and met abroad", and that only those Commonwealth countries which have the Queen as their head of state had been invited.

# Tributes boost international flower trade

By Gordon Cramb in Amsterdam and Our Foreign Staff

As bouquets carpet pavements ever more deeply outside British embassies throughout the world and outside royal residences in the UK, the international market for cut flowers is experiencing nnusnal demand.

The flower auction at Aalsmeer in the Netherlands, the world's largest, says it has seen a discernible increase in volumes shipped by exporters to the UK, which takes nearly 10 per cent of its Fl 2.6bn ($1.3bn) annual sales.

Roses were thin on the ground yesterday at the flower market which is one of the Dutch capital's prime tourist attractions. At the nearby De Zonnebloem street stall, red roses had quadrupled in price.

Florists in London have been swamped with people wanting to add to the floral tributes outside Buckingham Palace, St James's Palace and Kensington Palace. A further surge in demand is expected tomorrow.

Flowers on sale in the UK are being flown in from Israel, Kenya, Morocco, South Africa, Thailand and South America. Israeli flower exporters have shipped an extra 5m flowers to Europe.

"We have seen an increase in demand for flowers due to the death of Diana," said *Chaviv Haaze, marketing* director of the Israeli Flower Board.

He said in the first week of September Israel usually exports about 10m flowers but this week sales rose to 15m.

Colombian exporters are working overtime to meet the demand. "This week our exports to Britain have risen by 10 per cent compared to the normal for this time of year," said Ernesto Pineda, financial manager of Claveles Colombianos, a leading carnation producer.

● Some advertisers in Britain have postponed potentially offensive advertising campaigns until after Princess Diana is buried, John Willman writes. Advertisements for cars and alcohol have been withdrawn, as have those using themes such as death or chases.

One of the first companies to announce a suspension was Mercedes, German manufacturer of the car the princess was travelling in at the time of the accident.

"We suspended the campaign as soon as we heard about the accident on Sunday," the company said. "We won't be running adverts again until next week as a mark of respect to the princess."

Weightwatchers, the slimming organisation, has postponed the launch of a campaign featuring the Duchess of York saying losing weight is "harder than outrunning the paparazzi".

## UK NEWS DIGEST

# Sinn Féin goes to White House

Gerry Adams, president of Sinn Féin, yesterday met Sandy Berger, President Bill Clinton's national security adviser, at the White House in Washington. It is Mr Adams' first meeting inside the White House since the Irish Republican Army called its ceasefire seven weeks ago. *White House staff emphasised that the IRA must* maintain the ceasefire it declared on July 20 for Sinn Féin, its political wing, to make headway in Northern Ireland'e peace negotiations with nine other parties.

Unlike Mr Adams' talks with White House staff during the 1994-1996 IRA ceasefire, yesterday's meeting did not include an intervention by President Clinton or vice-president Al Gore, even though Mr Gore was in the White House at the time. Mr Clinton remained on holiday in Martha's Vineyard in Massachusetts. Mr Adams said he did not feel snubbed. *AP, Washington*

■ THE ECONOMY

## Slowdown reported in retail sales

The Confederation of British Industry yesterday reported a slowdown in tha growth of retail sales during August in its distributive trades eurvey, which covers 15,000 companies. But the survey also suggests that overall volumes remain at exceptionally high levels in spite of the slowdown from earlier months. The CBI, the biggest employers' lobby, said that 47 per cent of retailers reported higher sales compared with the same month a year earlier, while 25 per cent said that volumes were lower, leaving a positive balance of 22 per cent.

The survey also found that retailers increased the proportion of imported goods, because of the strength of the pound. The surge in retail sales during the summer was triggered by £35bn in windfall profits from demutualisations of saving and loans institutions, leading to fears of e spending boom. *Wolfgang Münchau*

■ CENTRAL BANK

## Economists urge greater scrutiny

Economists in the City of London yesterday urged the House of Commons Treasury committee to take a high profile role in scrutinising the Bank of England'e handling of its new power to set interest rates. At e private seminar in Westminster, the economists told members of the committee that it must take the lead in making the Bank, the UK central bank, accountable for its actions. Giles Radice, chairman of the committee, said he was very encouraged by the response at the meeting which was attended by a wide-range of experts from the City of London, universities and government departments. "There was a wide consensus among the experts that they want us to take an ambitious view of our role it providing accountability," he said.

Mr Radice is is being backed by Gordon Brown, the chancellor of the exchequer. *David Wighton*

■ CONSTRUCTION

## Defence contracts streamlined

The Ministry of Defence yesterday awarded three companies contracts to manage most of its £5bn ($8.1bn) of construction work over the next three years. Bucknall Austin, Mott MacDonald UK and Symond Group will oversee the ministry's building and refurbishment programme in its three main English regions. The department said the partnering scheme would cut the costs of delays of tendering for individual projects and help build a longer-term relationship with the companies. *David Wighton*

# Brussels spurns exclusive agreements proposal

By David Wighton, Political Correspondent

The European Commission has ignored calls from the British government to lift a blanket ban on exclusive agreements between suppliers and distributors, prompting harsh criticism from the City of London.

The government's trade and industry department had put forward proposals, backed by UK business, that would have made such agreements legal unless they had e harmful effect on competition.

Instead, the Commission is proposing that agreements be exempt from the prohibition only if the parties' market share is below a certain level. The move was yesterday attacked by Beachcroft Stanleys, the City law firm that has been working with the department.

Julie Nazerall, a partner at the firm, said that the UK government proposal would provide a much higher level of legal certainty for business and cut red tape.

"It ensures that companies still have the flexibility and incentives necessary to pursue business innovation without compromising Europe's commitment to fighting anti-competitive agreements," she said.

A recent survey by the firm showed that most UK companies would oppose the Commission proposal because it would produce unpredictable results.

The Commission's rejection of the UK plan is revealed in an invitation to a public hearing on the issue in Brussels next month. It makes clear that lifting the prohibition is not up for discussion.

Under Article 85 of the Treaty of Rome, the rules deem anti-competitive virtually all exclusive agreements – where a supplier appoints a reseller as an exclusive distributor or e distributor agrees to buy all prodocts from one supplier. But economists say that most such agreements should benefit consumers and the Commission has been forced to introduce many of exemptions.

But these exemptions are so rigid that drawing up an agreement to comply with their terms has become a long and expensive process.

### Record sales in peak month

| Registrations of new cars in UK | Aug 1997 Volume | Change % | Share % | Aug 96 |
|---|---|---|---|---|
| [illegible] | 167,770 | [illegible] | [illegible] | [illegible] |
| Japanese makes | [illegible] | [illegible] | [illegible] | 14.97 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| General Motors (1) | 74,010 | [illegible] | [illegible] | 13.33 |
| Vauxhall | 70,266 | [illegible] | [illegible] | 12.61 |
| Saab | 3,744 | [illegible] | [illegible] | 0.72 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Peugeot group | [illegible] | [illegible] | [illegible] | [illegible] |
| Peugeot | [illegible] | 41.88 | 7.83 | [illegible] |
| [illegible] | [illegible] | 7.70 | 4.68 | 4.77 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | 7.35 | [illegible] |
| [illegible] | [illegible] | [illegible] | 3.55 | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | 1.42 | [illegible] |
| [illegible] | 25,807 | [illegible] | [illegible] | 3.08 |
| [illegible] | [illegible] | [illegible] | 2.04 | 2.14 |

[illegible] Source: Society of Motor Manufacturers and Traders

Imports of cars surged last month as manufacturers cleared their factories to meet British demand which was almost 10 per cent higher than a year before, Haig Simonian writes. August is the most popular month for purchases because the letter denoting the year of registration on licence plates changes. Last month's sales of 525,539 exceeded the previous August peak of 500,112 in 1989. Cars made outside the UK accounted for more than 68 per cent of total sales. The figures reinforced expectations that sales this year would be among the highest ever at over 2m.

# Unions press for 'substantial' pay rise at Ford

By Andrew Bolger, Employment Correspondent

Trade unions representing nearly 30,000 workers at Ford factories in the UK yesterday submitted a claim for a "substantial" pay rise and a reduction in the working week.

The claim, on behalf of workers at 21 sites, did not specify a pay figure. But the Ford negotiators will be influenced by the recently-concluded deal at Rover Group under which 33,000 employees will receive 4.5 per cent in November, the first phase of three-year deal.

Ford is seen as a pace-setter in pay settlements, and Income Data Services, the independent pay research body, has forecast that the Ford negotiations could prove especially fraught. Annual settlements throughout the economy were already running et between 3.5 per cent and 4 per cent, even before July's jump in inflation to 3.3 per cent. It is forecast to rise in coming months.

The unions also asked for renewed assurances on job security, improved pensions, a review of the structure of wages and allowances and for healthcare to be paid for by Ford.

Ford cut nearly 1,000 jobs at its Halewood factory in north-west England this year, mainly because of reduced demand for its Escort car. The last Ford agreement contained an employment security clause, guaranteeing against compulsory redundancies as a result of efficiency improvements, provided thet co-operation continued.

The company remains the dominant manufacturer in the UK, although its market share last year slipped by 1.5 per cent to 19.6 per cent. But the UK operation made a pre-tax loss of £389m ($634m) last year on sales of £7.1bn.

Tony Woodley, chief negotiator for the Transport and General Workers' Union, said Ford workers' pay had slipped behind employees et other car companies by as much as 11 per cent, in spite of "massive improvements" in productivity.

New unions, Editorial Page

# Freight groups hit at 'sweetener'

By Charles Batchelor, Transport Correspondent

## Operators object to $326m promised to offshoot of US rail company

At least six companies keen to run freight services through tha Channel tunnel between England and France are considering challenging the sale of the state rail network's tunnel freight business because they believe the "*sweetener*" included in the deal will distort competition.

They are objecting to the £200m ($326m) payment promised to English Welsh & Scottish Railwey, the successful bidder for Railfreight Distribution, the state network's Channel tunnel subsidiary, to cover tunnel access charges over the next 10 years. EWS is an offshoot of Wisconsin Central Transportation of the US.

The Rail Freight Group, a lobbying organisation for the freight industry, wrote to John Prescott, deputy prime minister, last week warning of growing concern about the terms of the deal.

"I know of half a dozen potential operators who wish to use the Channel tunnel and who, if they do not receive the same tariff benefit as that alreedy announced for EWS, are likely to lodge a complaint on the basis of unfair competition," Lord Berkeley, the freight group chairman *wrote to Mr Prescott.*

EWS's completion of the takeover of RfD has been held up for the past six months while the European Commission decides whether the deal contravenes European law on state aid. EWS and the UK government have extended by three months until November 30 the deadline by which either side can withdraw from the deal. EWS said it was confident the deal would be approved by then.

Lord Berkeley declined to reveal the names of potential tunnel operators but François Leclercq, managing director of CTL, which buys space on RfD trains for shippers, said there was "bad feeling" in the *industry.*

EWS denied that the £200m subsidy for tunnel charges would give it an unfair advantage. "We will be ploughing money into the company," it said. "We are talking about a business losing £1m a week."

The cost of using the tunnel for rail freight is about £300 per container compared with about £120 to move a lorry on Eurotunnel's freight shuttles.

## MANAGEMENT

### JOHN KAY

# A boardroom fable

**A creature is happiest when its characteristics are in harmony with the environment in which it lives**

Once upon a time, there was a tortoise who lived in some marshes on the edge of a large plain. The tortoise had a hard shell and had lived contentedly in the marshes for many years.

But the tortoise was no longer happy. The source of its distress was the athletics contests that were frequently organised by the animals of the plain. The tortoise did well in some events, like hide and seek. But not in the races. In every racing event the tortoise was left far behind by most of the other competitors. Especially by the hares.

What was to be done? Like everyone who is unsure of what to do next, the tortoise turned to a company of management consultants. It sought the advice of Boston, McBainey and Butterson, one of the best-regarded companies in the business. Within a few days, the tortoise was surrounded by youngsters with MBAs from the finest business schools. They measured the dimensions of the tortoise and the way it moved. They held interviews with other tortoises and with hares. Above all they listened intently to the tortoise's concerns.

Following this intensive appraisal, Boston, McBainey and Butterson prepared their recommendations. Soon the consultants returned to present their findings.

They began the session with their diagnosis. The reason the tortoise kept losing races, they pointed out, was that tortoises could not run as fast as hares. They illustrated this with several slides, and, conclusively, with a video that showed hares regularly overtaking tortoises. The tortoise was impressed. "I can see," it thought to itself, "why these young people earn such high salaries. They have learnt to listen to the client and to focus exactly on the nature of its concerns."

But there was better to come. The consultants went on to explain why the tortoise could not run as fast as the hare. It was because the tortoise had short legs and a heavy body. The hare had longer legs and a lean figure. By this time, the tortoise was rolling on its shell in delight. These people did not, like some consultants, just relay back to you what you had already told them. The clincher was an elegant diagram that summarised it all. One axis described the length of legs: the other, body weight. The best position to be in was long legs, low body weight: the worst was short legs, high body weight. There was a picture of a hare in one box, a tortoise in another, and an arrow to show how the tortoise needed to move, or re-engineer itself, as the consultants put it.

Finally, the lights dimmed and the consultants moved to their recommendations. They showed the tortoise a picture of a jaguar. The elegance of the jaguar's graceful legs and slim body took the tortoise's breath away. What the tortoise needed to do, the consultants explained, was to turn itself into a jaguar. Short legs were only superficial manifestations of the tortoise's problem. The real obstacle to success for the tortoise was that it was constrained by the limits of its imagination. So many creatures in today's environment, the consultants explained, suffered from this deficiency: so many had been helped, by Boston, McBainey and Butterson, to overcome it.

The consultants left their (rather large) invoice on the way out, but the tortoise's first reaction was that this had been money well spent. Yet after a few days, some doubts began to penetrate even the thick shell of the tortoise. Finally, it plucked up courage to telephone Boston, McBainey and Butterson. "How exactly do I go about changing into a jaguar?" the tortoise asked.

Embarrassed at asking such a naive question, the tortoise was relieved when the consultants offered an immediate answer. But then it remembered that good consultants always had an immediate answer.

Many of our clients ask that, Boston, McBainey and Butterson explained: so many, in fact, that we have set up a change management division to help them. These consultants are trained to explain to every part of the body the importance of turning into a jaguar. Indeed, the new programme allows them to stay with a client until the change process is complete.

The tortoise was attracted by this proposition. But before returning the engagement letter to Boston, McBainey and Butterson, it had a word with the wise old owl. And what the wise old owl said was this. Tortoises and hares have evolved for very different environments. Hares do best in wide open spaces, where their speed gives them a competitive advantage. Tortoises survive for many years in hostile territory, where their shells protect them from predators and the weather. That is why even if the plains may sometimes look more attractive, they are attractive for hares, not for tortoises; and why equally it is not sensible for hares to come down into the marshes. A happy creature is one whose characteristics match the environment that it operates in, and that is what the gradual process of biological evolution helps to achieve.

The tortoise thought this advice was shrewd, and trundled back into the marshes. A few weeks later, a pride of lions found its way on to the plains, and ate all the hares. The tortoise lived on in the marshes, slowly but happily, almost ever after.

Mary Evans Picture Library

*The author is a director of London Economics and director of the School of Management Studies at Oxford University. This column appears fortnightly.*

# The good and the bad

**Vanessa Houlder on a study of manufacturing practices**

Which, if any, of the modern management techniques really work? For most of the new approaches that have recently been promoted, the answer is obscured by confusion and cynicism.

The typical life cycle of a management practice begins with extravagant assertions about its effectiveness which gradually give way to bad publicity about its failures, which its champions then try to rebut. The claims and counterclaims rarely amount to a balanced picture.

But a new study of UK manufacturing techniques has set out some answers to these questions.* It has assessed the effectiveness of a score of techniques ranging from business process re-engineering to total quality management.

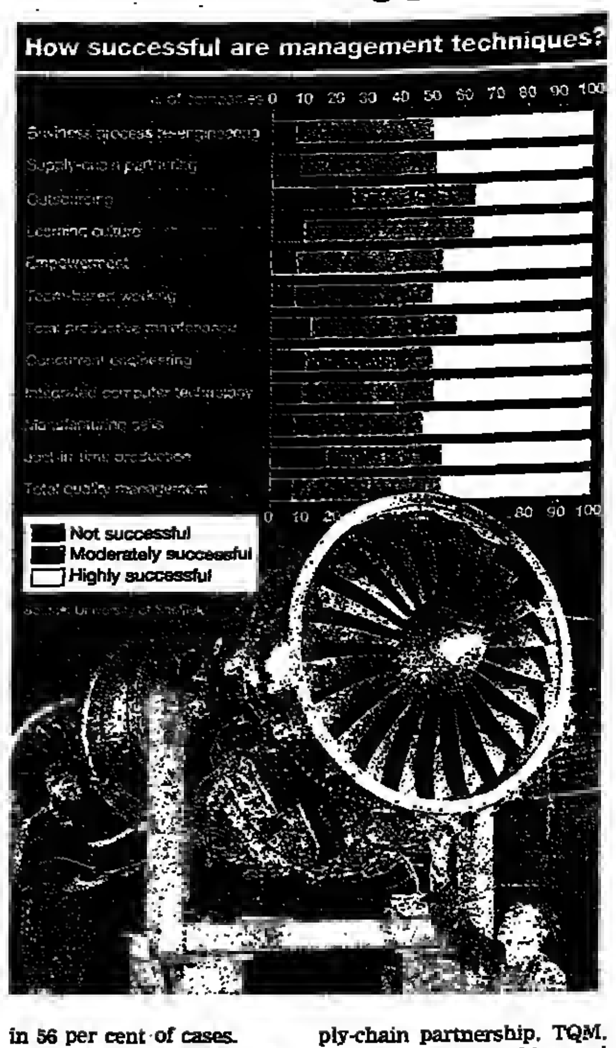
The Institute of Work Psychology at Sheffield University garnered responses from managing directors of 564 manufacturing companies from 15 sectors.

Its broad conclusions are worrying. "The overall levels of reported effectiveness are not impressive for any of the 12 manufacturing practices." In about 50 to 60 per cent of cases, these initiatives are meeting the objectives only moderately or worse.

But a detailed examination suggests that several of the techniques are at least partially successful in meeting their specific goals. Generally, the management practices appear to be best at improving the companies' responsiveness to their customers and worst at reducing costs, with middling success at meeting quality objectives.

The most successful practices at improving quality were found to be total quality management (seeking continuous change to improve quality); team-based working (allowing teams of operators to allocate work between themselves) and manufacturing cells (giving each group of operators the resources to produce a whole product). These were considered to meet their objectives entirely or a lot in about half the cases.

When it came to cost reduction, the most successful technique was found to be business process re-engineering (radically re-designing production processes) which met company objectives either entirely or a lot in 56 per cent of cases.




The best tools for increasing responsiveness to customers are just-in-time (making products in direct response to customer demands), supply-chain partnering (developing strategic alliances and long-term relationships with suppliers and customers) and concurrent engineering (simultaneously designing and manufacturing products).

The study found limited take-up of even the most popular practices. The most commonly used practices – which are extensively used in at least a third of the companies surveyed – are supply-chain partnership, TQM, JIT, team-based working and integrated computer-based technology.

Looking to the future, the techniques that are likely to become increasingly popular appear to be those that focus largely on improving quality and responsiveness to customers, rather than mainly being focused on cost-reduction. Hence the practices that are growing in popularity are integrated computer-based technology, TQM, learning culture (providing a range of development opportunities for all employees), team-based working, empowerment (passing responsibility for making decisions as far down the company as possible) and supply-chain partnering.

The practices that are fading in popularity are concurrent engineering (simultaneously designing and manufacturing products), manufacturing cells and outsourcing (the practice of contracting out processes to other companies).

Indeed, outsourcing provoked the most criticism of any of the techniques studied. It was seen as ineffective at everything except cutting costs, where it was only moderately successful. Few companies expect its use to increase: more than one in five expect to use it less or much less.

The criticism of outsourcing may come as a surprise because it has a longer history than many other techniques. But the report found little correlation between a technique's popularity and the length of time it has been in existence.

One of the most striking findings of the study was the very mixed results from using the same technique. Why do some companies succeed with a particular technique, while others fail?

One explanation may be that some companies have unrealistic expectations. "Companies may find it difficult to assess their prospects of success because of the lack of available independent advice," the study says. Most of the information is provided by suppliers and experts, who may have a vested interest in promoting the practice. Another possible explanation lies in the detailed design and implementation of the technique.

The study found that there are no structural barriers to the use of these practices. In general, all 12 practices appear relevant to all sizes and types of companies.

This strikes an optimistic note in a generally sobering report. "The fact that the effectiveness of these practices also does not vary with company size or manufacturing sectors is encouraging. It implies that success and failure are open to all."

**The Use and Effectiveness of Modern Manufacturing Practices in the United Kingdom. £45. Available from Karen Thompson, The Institute of Work Psychology, University of Sheffield, S10 2TN.*

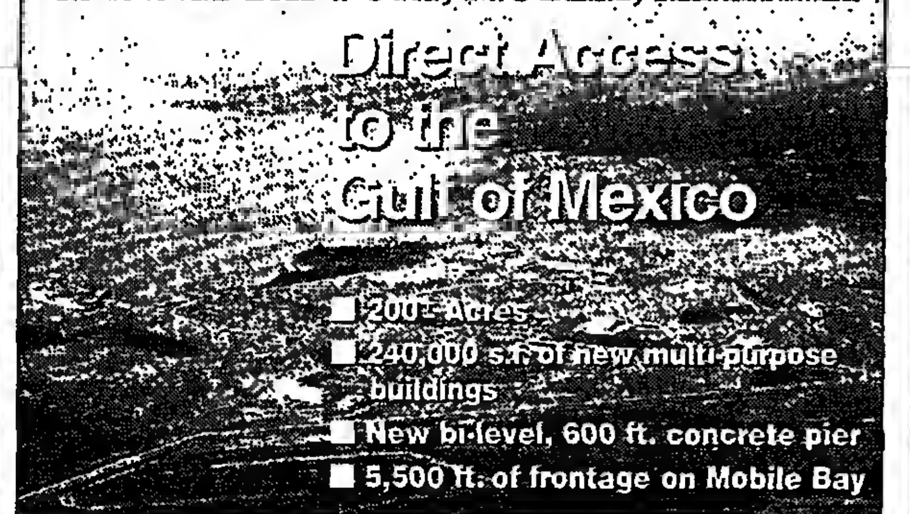
Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 05.09.97 / Final Prices for Trading on 30.08.97

| ½ hour period ending | Pool purchase price £/MWh | Pool purchase price £/MWh | Pool selling price £/MWh | Transmission use of system price £/MWh |
|---|---|---|---|---|
| 0030 | 14.76 | 12.01 | 12.26 | 0.88 |
| 0100 | 12.01 | 12.01 | 12.26 | 0.88 |
| 0130 | 12.01 | 12.01 | 12.26 | 0.88 |
| 0200 | 12.01 | 12.01 | 12.26 | 0.88 |
| 0230 | 12.01 | 12.01 | 12.26 | 0.88 |
| 0300 | 12.01 | 12.01 | 12.26 | 0.88 |
| 0330 | 12.01 | 11.87 | 12.14 | 0.88 |
| 0400 | 12.01 | 11.87 | 12.14 | 0.88 |
| 0430 | 12.01 | 11.87 | 12.14 | 0.88 |
| 0500 | 12.01 | 12.01 | 12.26 | 0.88 |
| 0530 | 12.47 | 11.86 | 12.13 | 0.88 |
| 0600 | 12.47 | 11.86 | 12.13 | 0.88 |
| 0630 | 10.32 | 14.95 | 15.22 | 0.88 |
| 0700 | 14.90 | 15.05 | 15.33 | 0.88 |
| 0730 | 15.29 | 15.29 | 15.57 | 0.88 |
| 0800 | 15.91 | 15.86 | 16.13 | 0.88 |
| 0830 | 22.38 | 15.78 | 16.06 | 0.88 |
| 0900 | 22.44 | 18.09 | 18.37 | 0.88 |
| 0930 | 30.00 | 16.77 | 17.06 | 0.88 |
| 1000 | 30.02 | 18.13 | 18.41 | 0.88 |
| 1030 | 30.00 | 18.13 | 18.42 | 0.88 |
| 1100 | 29.99 | 18.13 | 18.42 | 0.88 |
| 1130 | 105.40 | 18.43 | 18.72 | 0.88 |
| 1200 | 105.41 | 18.43 | 18.73 | 0.88 |
| 1230 | 25.75 | 26.19 | 26.48 | 0.88 |
| 1300 | 25.70 | 26.18 | 26.47 | 0.88 |
| 1330 | 25.65 | 18.39 | 18.68 | 0.88 |
| 1400 | 22.35 | 16.76 | 17.04 | 0.88 |
| 1430 | 22.34 | 16.76 | 17.04 | 0.88 |
| 1500 | 22.34 | 16.76 | 17.04 | 0.88 |
| 1530 | 22.34 | 16.76 | 17.03 | 0.88 |
| 1600 | 15.90 | 16.76 | 17.03 | 0.88 |
| 1630 | 22.34 | 16.76 | 17.03 | 0.88 |
| 1700 | 22.34 | 16.17 | 16.45 | 0.88 |
| 1730 | 22.34 | 16.17 | 16.45 | 0.88 |
| 1800 | 18.68 | 16.12 | 16.40 | 0.88 |
| 1830 | 18.88 | 16.17 | 16.45 | 0.88 |
| 1900 | 15.90 | 15.86 | 16.13 | 0.88 |
| 1930 | 15.90 | 15.78 | 16.06 | 0.88 |
| 2000 | 25.83 | 15.35 | 15.63 | 0.88 |
| 2030 | 36.68 | 15.35 | 15.63 | 0.88 |
| 2100 | 36.88 | 15.36 | 15.63 | 0.88 |
| 2130 | 26.26 | 17.94 | 18.22 | 0.88 |
| 2200 | 26.28 | 17.94 | 18.22 | 0.88 |
| 2230 | 15.60 | 17.94 | 18.22 | 0.88 |
| 2300 | 15.05 | 17.94 | 18.22 | 0.88 |
| 2330 | 15.01 | 15.29 | 15.57 | 0.88 |
| 2400 | 15.32 | 15.73 | 15.47 | 0.88 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £19.88/MWh becomes 1.988p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of recovering the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited








## THE PROPERTY MARKET

# A question of style

**Norma Cohen on classifying investment approaches**

Property fund managers may occasionally be said to have flair. But do they have style?

The trend, in both the US and Britain, towards investment in property pools instead of the ownership of individual properties, has focused attention on the performance of the fund managers who run them.

But the plethora of choices means pension funds can be choosy about where they put their money and competition is forcing managers to demonstrate that they can deliver outperformance.

"The incentive is to have an appropriate benchmark against which to measure performance," says Micolyn Yalonis, vice-president and manager of real estate at California-based investment consultants Callan & Co.

But because property investments can differ so vastly from each other, analysts have had to try to find ways to group them in order to compare like with like. Only then can meaningful benchmarks be developed, she says.

And that sparked the effort to try to classify different approaches to property investment.

In equity investment, there has been the emergence of "style" in which fund managers adhere to fairly coherent criteria in selecting securities for their portfolio. Broadly, managers fall into the "value" style camp, picking securities with high dividend yields relative to share price, or into the "growth" camp where yields are lower but there are greater expectations of share price appreciation.

But for a variety of reasons, property investment styles have long resisted classification. "The differences between properties are less obvious than equities," says James Hyslop, head of property at UK fund managers PDFM, one of the few houses with a reputation for having a consistent investment style. "But properties are very different and you have to make some compromises."

Even two very similar office blocks sitting side by side may have different characteristics, depending on lease terms, financing arrangements and the mix of tenants, he notes.

William Hill, fund manager for Schroder Exempt Property Unit Trust, the largest UK fund of its type, says that "style" in a property fund manager is an emerging phenomeon. "I think there is such a thing as style and increasingly so," he says.

"Ten years ago, the property market was a very unsophisticated place run on a seat-of-the-pants basis."

Schroders own style in property – like its style in equity investment – is to offer modest, but consistent outperformance against a benchmark. "Our clients do not want a rollercoaster approach," he says, adding that Schroders eschews heavy concentrations in high-yielding, but risky sectors. The development of a reliable benchmark in the UK – created by the Investment Property Databank – has encouraged managers to strive for a more coherent approach to investment, he says. With the benchmark, underperformers are now called upon to explain their results or risk losing their clients.

> In the US analysts classify managers not by the financial characteristics of the properties they buy, but by their type

In the US, where there are more than $120bn in property investment trusts traded on stock exchanges, analysts have resorted to classifying managers not by the financial characteristics of the properties they buy, but by their type.

Floris van Dijkum, analyst at Morgan Stanley, points out that indices of performance have already been developed by the US National Association of Real Estate Trusts (Nareit) along these lines. The 11 categories attempt precision and include a wide variety of investments ranging from hotels to self-storage centres to regional shopping malls to healthcare facilities.

Nareit has assisted the categorisation by producing a sector index plus subgroups of indices so that investors in these property vehicles can compare their manager against the sector average and see whether outperformance has been achieved.

But Mr van Dijkum argues that even that is not enough. "There is suburban office space and downtown office space," he points out. Both fall into the office space category but the investment characterisics of each will vary widely. Moreover, some managers try to add value by trading their properties and contract out the management of those buildings while others add value by managing them in-house, aiming to extract the maximum rentals.

Nigel O'Sullivan, partner at London-based investment consultants Bacon & Woodrow, says that styles of property investment tend to vary with the type of manager in charge of the portfolio. These fall into five broad categories: large surveyors, smaller surveyors, insurance companies, fund management companies and specialist niche players offering limited partnerships.

"This tends to characterise their style as well," he says. The managers are guided towards choices as much by their portfolio characteristics as anything else.

Thus, the fund management companies offering open-ended unit trusts may be more frequent traders of property since they may sometimes be forced to sell assets when investors want to redeem their shares.

At Callan & Co, efforts to classify managers as "value" or "growth" managers are taking shape, Ms Yalonis says, albeit slowly.

"We sent out a questionnaire to those who manage portfolios of Reits and one of the questions asked them what their style was," she says. "Most of them just skipped that question. They didn't understand it." The only managers who did respond, she says, were those working in organisations which also manage equity portfolios.

"Most managers do not invest with a style in mind," she notes.

But that does not mean that styles are undefinable. "The characteristics that make an office property in Atlanta, Georgia, a value purchase also make an industrial property in Concord, California a value purchase," she says.

Callan defines a "value" portfolio as one in which at least two-thirds of the properties are high-yielding and a growth portfolio is one in which at least two-thirds are low-yielding.

A balanced portfolio is one containing half of each.

Reits, which have huge tax incentives to pass rents onto their shareholders, are, by definition, value investors, Ms Yalonis says.

However, even the most careful efforts to style a portfolio may come to nothing, she warns. "Real estate can change its characteristics overnight."

During the property recession in 1992, the value of portfolios in the US fell by as much as 40 per cent.

"Everybody suddenly became a growth investor," she says.

ARTS

Theatre/**Alastair Macaulay**

# Heartbreak triumph to savour

Tha new Almeida Theatre production of Bernard Shaw's *Heartbreak House* is not only a first-rate account of the play; it is also a perfect example of what the Almeida does uniquely well. The staging is grateful to the eye, and musical to the ear; the play is honoured, and the actors bloom; and the relation of stage to auditorium has both intimacy and amplitude.

Sometimes the Almaida emphasis has been too much on style, or rather stylishness, bnt not here. For such riches, one hardly minds the cramped seating and the ill-lit auditorium.

A further pleasure is that several of the actors, the director (David Hare) and the designer (Vicki Mortimer) have all worked at the Almeida before. Particularly with the actors in question, one feels that this is a more than actor-friendly theatre – I speak entirely on instinct, and may be wrong – one feels, with admiration, that the Almeida has played a solicitous role in helping these actors to grow as artists.

Whan Emma Fielding – who was introduced to many of us by the original production of Tom Stoppard's *Arcadia* in 1993 – spent 18 months with the Royal Shakespeare Theatre in 1994-95, playing three different roles, she hardly seemed to develop. But the three roles sbe has played at the Almeida, between 1994 and 1997, have been milestones in her career: you can see how she has used each one to give her a new dimension.

Here, indeed, you see her grow during the course of the play. She plays Ellie Dunn, the newcomer to the Shotover/Hushabye household, who discovers heartbreak during its first act, new resolve during its second, and a transcendent rapture in its third. She forms a beautiful rapport with Richard Griffiths, another Almeida veteran, who, as Captain Shotover, gives the strange disillusion of the play its most authoritative and eloquent voice, achieved here with true poetic vision.

Penelope Wilton (another with "Almeida" already on her c.v.) plays his daughter Hesione Hushabye, in wbom Shaw thrillingly realises his vision of mature feminine charm and wit; and Wilton's may be the most delectable performance of all. The pacing of ber speech to Ellie about the condition of being in love has the wisdom of Minerva in it; and ber poise, warmth and dry humour do marvels.

The Patricia Hodga performance – elegantly dafensive, wittily world-weary, over-polished, under-energised, camp – is perfect for Lady Utterword (née Ariadne Shotover), although I am, in general, tired of it. Malcolm Sinclair is outstanding as Mazzini Dunn: self-deprecatory, pious, unworldly, wise. John Bowe is twice too lond as Boss Mangan, but he and Peter McEnery as Hesione's handsome husband Hector both help to sustain the play's painful, adult, intelligent discussions with assurance.

Simon Dutton is merely a lovely over-theatrical cypher as Ariadne's brother-in-law Randall, but Carmiel McSharry and Harry Landis bring off the contributions of the working class with tact and skill. For all of this and much more, all credit to Hare's direction. This production is his finest work in this field of his talents since, at least, his 1994 Almeida staging of Brecht's *Life of Galileo*.

The play itself is, by turns, poignant, bumorous, enthralling, far too long, increasingly over-theatrical, and maddeningly loquacious. Shaw wrote it under the inspiration of a weekend with Virginia Woolf.

Now that Islington is the 1990s equivalent of what Bloomsbury was in tbe 1910s, the Almeida is an ideal location for *Heartbreak House*. You can imagine what the first-night audience was like, and how it fell ahout at Shaw's wittier remarks about politics.

Continuing at the Almeida until October 11. Sponsored by AT & T.

Nigel Norrington

**Patricia Hodge in 'Heartbreak Hotel': elegantly defensive and perfect as Lady Utterword**

New York Theatre

# Rapt in West End transfers

A great account of a great role is worth seeing more than once. It was more than gratifying, it was exhilarating for a London theatre critic (or any London theatre-goer) to see again Janet McTeer's Nora in *A Doll's House*, after she and Anthony Page's West End production triumphed on Broadway. The production, rapturously received in New York, finally closed at the Belasco Theatre this week.

McTeer still carried the play on one wave of energy. Details changed, and one could still criticise some of them: notably the way in which she and the rest of the cast repeated several words or phrases of Ibsen's text. Yet it was Ibsen who astonished as much as, and because of, McTeer.

The long final scene between her and Owen Teale as her husband was still one of the most gripping theatrical events I have encountered, and when she cried the climactic line, "I'm a human being!" – loudly, in near-hysteria, backed by him up against the wall – the effect was still overwhelming, especially as she then added, softly, hoarsely, almost whimpering, "I *am*".

Great acting and great plays are every bit as much appreciated on Broadway as they are in the West End, and the acclaim they receive is more spontaneous and effusive. Londoners followed the *Doll's House* final scene in the silence of rapt concentration, New Yorkers with audible gasps and visible tears. The difference is that Londoners have a wider supply of good or great theatre; and that, I suspect, New Yorkers have, not lower standards, but lower expectations.

I remember watching Tony Kushner's *Angels in America*, which I found horribly overrated, on Broadway soon after I had watched it at London's National Theatre; my American neighbour shared my opinion, hut said: "Hay, this is Broadway – don't expect too much." New Yorkers find it hard to believe that this *Doll's House* was simply one of several important Ibsen productions that opened in England during the last half of 1996, and not the only one to win, or to deserve, awards.

In recent years, London has become a haven for new plays. Some of the best writing has been insufficiently admired, some of the lesser writing has received too much attention, but the scena is lively. Several of the new plays reach New York – not just the major-league productions like Pinter's *Moonlight*, Stoppard'a *Arcadia* and Hare's *Skylight*, but also less big-name affairs from the Royal Court like Sebastian Barry's *The Steward of Christendom*, Kevin Elyot's *My Night with Reg*, and Timberlake Wertenbaker's *Three Birds Alighting on o Field*.

New York has, at present, an altogether less remarkable reputation for new drama, and so it was a happy surprise to find two first-rate new plays succeeding in off-Broadway theatres.

At the Vineyard Theatre, Paula Vogel's *How I Learned to Drive* is a marvellously delicate, ironic, multi-faceted, ambivalent play about child abuse, finely directed by Mark Brokaw. The action switches back and forth through the southern childhood of Li'l Bit (Mary-Louise Parker), and is all filtered by her now adult perspective. Her uncle Peck (David Morse) – he often reminds her – never does anything to her that she doesn't want, and we become aware of the great sympathy between them.

Yet, wben we double hack to her first driving lesson and to his first physical advances, the full measure of his abuse is shockingly clear.

The play treats Peck with great understanding, lightly shows that bis relationship with L'il Bit is not as unique as he suggests, and shows the part-bizarre part-ordinary life of their entire family with brilliantly economical detail.

In *Full Gallop*, which played its final performance last weekend at the Westside Theatre, Mary Louise Wilson "was", es they say, Diana Vreeland, the legendary editor of Vogue and arbiter of fashion; and her impersonation was spellbinding. She was the only person onstage; occasionally we heard her maid Yvonne offstage. For two acts, you hung delightedly on the non-stop gush of La Vreeland, pontificating and opining and reminiscing with wonderful flamboyance. Wilson co-authored the play with Mark Hampton. This is Vreeland after her dismissal from Vogue and, after a trip East, returning to the US. "Excess! I'm a great believer in vulgarity. We all need a splash of bad taste."

Tbe 'phone in her apartment keeps ringing with calls inviting her to take on the Metropolitan Museum's costume department, but she is uninterested. "I don't care if they've got the Shroud of Turin." Instead, she wants still to expound: "Blue jeans! Blne jeans are the greatest invention since the gondola!" Or to reminisce: "And we went to live in London, where not everybody's thet good-looking." "You ask if they were happy. That is not a characteristic of the European."

Wilson's, and Vreeland'a, irrepressibility, her attack, her absurdity, her energy were intoxicating. London should see this show.

**A.M.**

Opera/**Pierre Ruhe**

# Dramatic push for an old favourite

Now that Glimmerglass Festival Opera, in pastoral upstate New York, has joined forces with the New York City Opera – sharing an artistic director, Paul Kellogg, and director of production, John Conklin – the question on everyone's mind is whether the festival will suffer in the role of springboard for its urban cousin, and at what cost to its own high artistic standards.

As with last season's successful *Turn of the Screw*, aelected prodnctions will originate at Glimmerglass and transfar downstate. Aside from shared production costs, tha benefits are presumahly tilted in the larger company'a favour: preparations are under festival conditions, smaller voices can be upgraded and the NYCO can pick from among the best – or most suitable – for transfer to its cavernous 2,779-seat State Theater.

Although, by strange coincidence, the festival's 912-seat Alice Busch Theater and the State Theater have stages of the same size, repertoire and intimacy are often determined by proximity to tbe audience. And that's where problems might lie. What will happen should tbe baavyweight NYCO impose its need for more easily transferable productions?

The three operas I heard last month are scheduled for NCYO's coming season (the fourth, *Madama Butterfly*, will not travel). The event of the summer was Carlisle Floyd's *Of Mice ond Men*. Althougb performances since its 1970 premiere have been rare, the opera feels like an American standard, thanks mainly to the familiarity and poignancy of John Steinbeck's novel.

For a libretto, Floyd boiled down the plot into a single dramatic arch. It is concerned only with the dim-witted Lennie, his guardian George and their bopelessly ill-fated dream of buying their own farm. Floyd keeps the psychological underpinnings in the score to a minimum and often gives beightened dramatic moments over to declamatory statements. The consonant, melodic score meets the expectations set by the text – without, alas, ever exceeding them.

Anthony Dean Griffey was extraordinary in the demanding tenor role of Lennie. By the fresh and unforced power of his voice, and with a suitahly large, doughy physique, he seemed born to play the part. There are similarities hetween *Mice* and *Peter Grimes*, in both plot and the demands made on the leading tenor. Griffey has already sung Grimes at Tanglewood and, with maturation, his future attempts should be revelatory.

Others in the cast gave strong support. Rod Nelman, an aloquent if sometimes clogged bass, sang George. The warm-toned soprano Margaret Lloyd deftly navigated the serpentine part of Curley's wife. As the ranch foreman, Victor Benedetti was underpowered yet dramatically convincing. Conklin's sets – a simple bunk house and limitless canopy sky above a rubble-strewn field – captured the Depression-era look of a Walker Evans photograph. The stage direction, by Rhoda Levine, and conducting, by Stewart Robertson, were effective in a matter-of-fact way.

The first of this summer's productions to be seen in New York will be *L'Italiana in Algeri*, directed at Glimmerglass with panache hy Christopher Alden. Carol Bailey and Conklin placed their ingenious scenery on wheels and had it rotating madly for the hilarious first act finale. The singers were more notahle as members of an ensemhle than for their individual voices.

As Isabella, Phyllis Pancella had plenty of spark to pull off the quick-witted, saucy title cbaracter, although she did not often meet Rossini's coloratura demands. James Maddalena, as Taddeo, was vocally solid and genuinely funny.

*There are similarities between 'Mice' and 'Peter Grimes', in both plot and the demands made on the lead*

*Iphigénie en Touride* received an intense, intelligent staging by Francesca Zambello. Every component in Gluck's happy-ending tragedy came across strongly: Marina Dagbici's gloomy set, part-temple, part-prison; bold lighting by Mimi Jordan Sherin; Jane Glover's crisp, muscular conducting; and a uniformly satisfying cast.

Christine Goerke's deeply expressive portrayal of Iphigénie topped off excellent diction witb beantifully rolled "R's". As Oreste, the masculine baritone Nathan Gunn was superh. Oreste and Pylades, sung by the clarion tenor William Burden, were cast as lovers. Brigitte Bellini was a memorable priestess and Isahel Bayrakdarian, as Diana, was exquisite in her pure tones, generating a frisson of interest in ber vocal possihilities.

Many singers covering smaller parts were in the festival's Young American Artists Programme, a valuahle apprenticeship for newly professional aingers. It is this sense of community, with hard work and an immediate pay-off, that makes the Glimmsrglass atmosphere so enviahle – and so unlikely to transfer into the city.

## INTERNATIONAL ARTS GUIDE

### AMSTERDAM

**DANCE**
**Het Muziektheater**
Tel: 31-20-551 8911
Giselle: National Ballet new season opens with this staging by Peter Wright; Sep 6, 7, 9, 10

**OPERA**
**Het Muziektheater**
Tel: 31-20-551 8911
Das Rheingold: by Wagner. Netherlands Opera. New production, directed by Pierre Audi and conducted by Hartmut Haenchen; Sep 8, 11

### BERLIN

**CONCERTS**
**Deutsche Oper**
Tel: 49-30-34384-01
Carmina Burana: by Orff. Conducted by Rafael Frühbeck de Burgos. With the Clemencic Consort conducted by René Clemencic; Sep 8

**Kammermusiksaal, Philharmonie**
Tel: 49-30-2548 8354
● Chamber Orchestra of Europe: conducted by Claudio Abbado in Schubert'a Symphony No. 6 in C major, and songs by Brahms, with baritone Bryn Terfel; Sep 6
● Rosamund Quartet: in works by Rihm, Eisler, Zwischenblick and Schumann; Sep 7
● Vogler Quartet: in works by Schumann, Rihm, Eisler and Smetana; Sep 6

**Philharmonie**
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Schubert and Rihm; with violin soloist Rainer Kussmaul; Sep 6

**DANCE**
**Deutsche Oper**
Tel: 49-30-34384-01
Deutsche Oper Ballet: programme of two works by MacMillan – Concerto and Das Lied von der Erde; Sep 6

**OPERA**
**Deutsche Oper**
Tel: 49-30-34384-01
● Der Rosenkavalier: by R. Strauss. Conducted by Jiři Kout in a staging by Götz Friedrich; Sep 5
● Tristan und Isolde: by Wagner. Conducted by Christian Thielemann in a staging by Götz Friedrich; Sep 7

### LONDON

**CONCERTS**
**BBC Proms, Royal Albert Hall**
Tel: 44-171-589 8212
● BBC National Orchestra of Wales: with the City of Birmingham Symphony Chorus and BBC National Chorus of Wales in a programme of works by Poulenc, Ravel and Rakhmaninov, conducted by David Atherton; Sep 6
● Neeme Järvi: conducts the Gothenburg Symphony Orchestra in works by Brahms, Prokofiev and Sibelius; Sep 7
● Neeme Järvi: conducts the Gothenburg Symphony Orchestra and Orphei Drängar in a programme comprising Stravinsky's Oedipus Rex and Bartók'e Concerto for Orchestra; soloists include mezzo-soprano Anne Sofie von Otter; Sep 8
● Venus and Adonis: by Hans Werner Henze – Markus Stenz conducts the BBC Symphony Orchestra in the UK premiere of Henze's score, with soprano Evelyn Herlitzius and baritone Ekkehard Wlaschiha; Monteverdi's madrigals are performed by the Gabrieli Consort and Players, directed by Paul McCreesh; Sep 5

**EXHIBITIONS**
**National Gallery**
Tel: 44-171-839 3321
Cranach: A Closer Look – the Gallery's eight paintings by Lucas Cranach the Elder (1472-1553) are joined by three on loan from Copenhagen; to Sep 7

### LOS ANGELES

**OPERA**
**L. A. Opera, Dorothy Chandler Pavilion** Tel: 1-213-972 8001
● Fedora: by Giordano. La Scala production staged by David Edwards and conducted by Edward Downes. Cast includes Maria Ewing and Plácido Domingo; Sep 7, 10
● La Bohéme: by Puccini. Revival of Herbert Ross's production, designed by Christopher Harlan and conducted by Plácido Domingo (until Sep 12); Sep 6, 9

### LUCERNE

**CONCERTS**
**International Festival of Music**
Tel: 41-41-210 3080
● Arditti Quartet: in works by W. Rihm; at the Lukaskirche; Sep 6
● Dallas Symphony Orchestra: conducted by Andrew Litton in works by Harris, Barber and Gershwin. With violin soloist Joshua Bell and piano soloist Andrew Litton; at the von Moos-Stahl-Halle; Sep 7
● Dallas Symphony Orchestra: conducted by Andrew Litton in works by Bernstein, Rodrigo and Tchaikovsky. With flautist James Galway; at the von Moos-Stahl-Halle; Sep 8
● Festival Strings Lucerne: conducted by Rudolf Baumgartner in works by Bach and Felder. With violin soloist Sajaka Shoji; at the Jesuitenkirche; Sep 6
● Orchestra Filarmonica della Scala: conducted by Riccardo Muti in works by Pergolesi, Busoni and Respighi. With soprano Barbara Frittoli and mezzo-soprano Anna Caterina Antonacci; at the von Moos-Stahl-Halle; Sep 5
● Orchestra Filarmonica della Scala: conducted by Riccardo Muti in works by Mendelssohn, Schumann, Elgar and de Falla; at the von Moos-Stahl-Halle; Sep 6
● Stockholm Kammerorchester: conducted by Joseph Swensen in works by Haydn, Rihm and Strauss. With trumpet soloist Hakan Hardenberger; at the von Moos-Stahl-Halle; Sep 7

### MONTREAL

**EXHIBITIONS**
**Museum of Fine Arts**
Tel: 1-514-285 1600
Exiles and Emigrés: The Flight of European Artists from Hitler. Focusing on the 12 years of Nazi rule 1933-45, this show – previously seen in California – explores the work of 23 artists during their years in exile, their continuing relationships with European societies and their impact on the United States; to Sep 7

### NEW YORK

**EXHIBITIONS**
**Metropolitan Museum of Art**
Tel: 1-212-879 5500
Ivan Albright, Magic Realist: retrospective consisting of 45 paintings by the Chicago-based artist Ivan Albright (1897-1983). Includes still-lifes, character studies, 25 self-portraits and the "Picture of Dorian Gray" (1943-44) created for the film of the same name; to Sep 7

**OPERA**
**New York State Theater**
Tel: 1-212-870 5570
Macbeth: by Verdi. The New York City Opera season opens with this new production directed by Leon Major and donducted by George Manahan; Sep 11

### PARIS

**CONCERTS**
**Théâtre des Champs Elysées**
Tel: 33-1-49525050
Orchestre Français des Jeunes: conducted by Marek Janowski in works by Brahms and Mendelssohn, with violin soloist Julian Rachlin; Sep 7

**OPERA**
**Opéra National de Paris, Opéra Bastille** Tel: 33-1-44731300
Le Nozze di Figaro: by Mozart. Conducted by James Conlon in a staging by Giorgio Strehler. Cast includes Anthony Michaels-Moore and Barbara Bonney; Sep 8, 11

### ROME

**CONCERTS**
**Auditorio di Via della Conciliazione**
Tel: 39-6-6880 1044
Orchestra and Choir of the Accademia Nazionale di Santa Cecilia: conducted by Daniele Gatti in works by Brahms – Schicksalslied for choir and orchestra, and Symphony No. 2 in D major; Sep 10, 11

### WASHINGTON

**CONCERTS**
**Kennedy Center**
Tel: 1-202-4674600
National Symphony Orchestra Beethoven Festival: Leonard Slatkin conducts the Symphony No. 10 in E-flat major and Symphony No. 9 in D minor; Eisenhower Theater; Sep 5

### ZURICH

**EXHIBITIONS**
**Kunsthaus Zürich**
Tal: 41-1-262-0909
Birth of the Cool: wide-ranging survey of American art in the latter half of this century. Among the artists represented are Georgia O'Keeffe, Jackson Pollock, Andy Warhol and Chuck Close; to Sep 7

### TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

**EUROPEAN CABLE AND SATELLITE BUSINESS TV**
Monday to Friday, Central European Time:

● **NBC/Super Channel**
07.00: *FT Business Morning*
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

**Philip Stephens**

# Break with the past

## Anti-devolutionists think a Scottish parliament will lead to the union's demise. They could be in for a long wait

Devolution may not last. By the time England and Scotland come to mark the tercentenary in 2007 of the Act of Union, this unique partnership of nations could be heading for rupture. It is an outcome enthusiasts for a new parliament in Edinburgh are loathe to admit. They should not be. Separation is not inevitable. But nor, as it happens, would it be such a bad thing.

I am not naive enough to think Tony Blair's administration will show such candour before Scotland votes on its devolution plans in next Thursday's plebiscite. For tactical purposes, Mr Blair may have enlisted the temporary support of the separatist Scottish National party. But his scheme, he will insist to the last, will save the union rather than destroy it.

Yet to say the world may change is merely to state the obvious. Britain's political arrangements have ever been recast on the twin anvils of political expediency and popular consent. There are those who would claim the constitution is carved, like Moses' commandments, on tablets of stone. Theirs is a myth belied, to take the odd example, by parliamentary democracy, a universal franchise, and the very existence of the Irish Republic.

Opponents of home rule should pause here. They have not won a new convert. Scotland should vote Yes/Yes on Thursday: Yes to a parliament and Yes to the right to vary its own taxes. These are vital expressions of nationhood.

The case for the status quo is as spurious as Mr Blair's alliance with the SNP is disingenuous. It rests on the proposition that more self-rule will break forever the spell of the union. England will rebel. Scotland will not be satisfied with a halfway house. But there is casuistry here, a clever confusion of coincidence and causation. To acknowledge an uncertain future is not to believe in predestination.

The claim heard most often is that England will not tolerate a new settlement. I recall a conversation in 10 Downing Street with John Major before the election. It would be impossible, he cautioned, to contain the force of English nationalism. Of course, he personally would never fan the flames of little England. But less scrupulous politicians would soon be laying nationalist fires in the home counties.

Yet I have seen no English hordes burning union flags and gathering under the standard of St George. The referendum campaign has passed unnoticed in the lush pastures of middle England. William Hague, Mr Major's successor as Tory leader, has whispered hardly a word.

But, the anti-devolutionists say, wait until the English wake up to what Scotland gains from the union. If you believe the No campaign, each Scottish citizen gets about 30 per cent more from the public purse than his or her English counterpart. Such calculations are at best tendentious. But let's not quibble. One objective analysis still puts the figure at a little over 20 per cent.

> Scotland should vote Yes/Yes on Thursday: Yes to a parliament and Yes to the right to vary its own taxes. These are vital expressions of nationhood

There is more. Scotland's tax take falls short of its spending. Here the numbers are still more contentious, depending crucially on the allocation of revenues from North Sea oil. Scotland pays a higher share of its national income in taxation than England. But left to its own devices, the antis argue, it would face a shortfall of £8bn between revenue and expenditure.

Perhaps. But put aside these attempts to derive precision from speculative assumption. It is fair to say that, in cash terms, Scotland does well from the union. So, incidentally, do Northern Ireland and Wales. And, of course, spending per head in England's poorer regions is higher than in the prosperous southern shires.

The sums involved, though, are miniscule measured against England's national income or against the benefits it derives from being part of a union. How long, one wonders, would England retain the influence in international affairs that still accrues to Britain? Japan would happily pay £6bn a year for a permanent seat on the United Nations security council.

Consider also the perverse logic of those who cannot see beyond the present. Scotland is to be given more democracy; the English must respond by giving it less money. It is a curious equation. Presumably, if Scotland were willing to surrender some of the autonomy it already enjoys, the English would happily increase their subsidy.

The same misconception that Scotland alone benefits from the union infects the debate over its representation at Westminster. If the English cannot meddle in the domestic affairs of Scotland, we are told, the Scots must not retain that privilege at Westminster.

Of course the new arrangements will be a curiosity. But the constitution is full of such anomalies. The most likely outcome once Scotland has government closer to the people is that England will demand the same. The English regional assemblies of which Mr Blair speaks in slightly embarrassed tones will become a reality.

Here the No campaigners change tack. The English played no part, they say, in the constitutional convention which set the terms for an Edinburgh parliament. Such a one-sided arrangement cannot last.

The analysis is belied by history. Instead there is a certain symmetry in the fact that it has been left to the Scots to rewrite the bargain. For all its deference to Scotland's religious and legal customs (and a curious promise to preserve in perpetuity the universities of St Andrews, Aberdeen, Edinburgh and Glasgow), the original Act of Union was struck on English terms. And the Scots have lived with it for nearly three centuries. Now they are redressing the balance.

For all this, and for all the supposed advantage it will gain from devolution, Scotland might want more. There has been precious little evidence of it during the referendum campaign. But it might one day look to the Irish Republic as a model for how a small, proud nation can flourish in the new Europe. And England, I suppose, might eventually find it impossible to see beyond the prejudices of those who cannot imagine a union of nations outside a unitary state.

An independent Scotland would then be unable to blame the English for all their woes. And the English would finally be forced to emerge from the comfortable cocoon of pretensions built on a British imperial past. You can see the attractions. But I suspect this is a bridge neither nation will want to cross for some time.

# ·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com Published letters are also available on the FT web site. http://www.FT.com Translation may be available for letters written in the main international languages.

## Little to fear from proposal if goods of reasonable quality

*From Mr Jim Murray.*

Sir, In the article "Row over Brussels' goods plan" (September 3), you correctly report on industry opposition to the European Commission's proposal for improved guarantees for consumer goods. There is another side to this issue, namely the consumer side.

The creation of a single market throughout the EU has brought many benefits for industry in terms of free movement, economies of scale, and the opening of markets. As a consumer organisation we think that consumers must also be allowed to benefit directly from the single market process in terms of better protection. We are not alone in thinking this: one of the aims of the Community under article 3(s) of the Treaty on European Union is to contribute "to the strengthening of consumer protection". The Commission's proposal is an attempt to achieve that aim and to contribute to a balanced development of the single market for consumers, as well as for industry.

We believe the costs of the proposal will be nowhere near the levels claimed by industry and any such costs must be seen against the proven benefits to industry of the single market and the increases incentives to improve the quality of consumer goods which the proposal will bring. Furthermore, the directive only relates to cases where products, bought in good faith by consumers, are faulty. As consumer goods are on the whole produced to a high standard, manufacturers and retailers dealing with goods of a reasonable quality have little to fear.

Jim Murray,
director,
BEUC, European Consumers' Organisation,
Avenue de Tervueren 36,
1040 Brussels,
Belgium

## Devolved government can work well

*From Mr S.G. Kay.*

Sir, Richard Mowbray's (Letters, September 2) steady drift to the Right of Scottish politics has washed him up on the "Think Twice" campaign. He could hardly be more wrong about the affect of Scottish devolution on the union between Scotland and England.

At the May general election, just over 80 per cent of the Scottish electorate voted for parties which are supportive of the union, including the Conservatives – hardly a vote for separation even if the Scottish National party sees devolution as a step towards independence. Labour and the Liberal Democrats won seats on a clear platform of devolution – the Conservatives alone refuse to accept the decision of the Scottish electorate.

The precedents across the world for devolved government are very clear and work at least as well as our current heavily over-centralised administration. Bavarians are still Germans; Newfoundlanders are still Canadian; and Virginians still US citizens. Scots will still be British.

The Barnett formula for government expenditure in Scotland recognises the reality of a very scattered rural population in most of the country, with consequent higher costs for services. It could also be seen as a part repayment of income from oil in Scottish waters and from Scottish exports.

Perhaps the regions of England, equally fed up with domination by London and the south east, will follow the example of Scotland and hopefully also Wales, and demand that local issues be put back into local control.

A more equal and accountable UK will result to the benefit of us all.

S.G. Kay,
executive member,
Scotland Forward,
16 Forth Street,
Edinburgh EH1 3LH, UK

## Hard to find the 'genuine' investors

*From Professor Ronald Dore.*

Sir, You say ("Thrown by a sick tiger", August 29) that capital controls in Thailand and Malaysia's intervention in the stock exchange are counter-productive. They deter "genuine long term investors".

Who are these "genuines"? Those who expect to hold Malay equities for more than the average ... what is it? Six months? Foreign exchange operators for whom a week with ringgits is a long time? Or multinational manufacturers which put retained earnings into factories on Malaysian and Thai soil and employ local workers – and whose set-up costs are lowered and export prospects only brightened by weaker ringgits and bahts.

Ronald Dore,
Centre for Economic Performance,
London School of Economics,
Houghton Street,
London WC2A 2AE, UK

## Young defy the rational approach

*From Mr Stephen Watts.*

Sir, Robert Chote's article, "Logic of charging tuition fees" (Economics Notebook, August 25) provides us with a typical neo-classical analysis of how rational agents determine their investment in human capital.

Given the number of young people who smoke, take drugs and drive cars at high speed, I doubt whether such rationality can be relied on to deliver the well-educated workforce that is needed by the UK.

Stephen Watts,
9 Fen Road,
Chesterton,
Cambridge, CB4 1TU,
UK

## The Celts came first

*From Christine Holmes.*

Sir, Peter Aspden's confusions about English history ("The Wasp takes flight", August 16/17) are so enormous that he may have been safer to stick to groovy prime ministers and airline liveries. Despite referring to the British Museum's newly opened "Bronze Age, Celtic and Roman galleries", he seems to believe one must "turn back to before the Roman invasion" to evade multi-cultural Celts and find "indigenous" Anglo-Saxons.

The Anglo-Saxons did not precede either Celts or Romans in England but followed them, and I am convinced that G. M. Trevelyan, whom he purports to quote, was aware of this.

Christine Holmes,
Rua General Danton Teixeira,
Sao Conrado,
22610-350RJ,
Rio de Janeiro,
Brazil



# Blowing peace away

## Judy Dempsey on the aftermath of the Jerusalem bombings

In Israel, violence is repeating itself with deadly precision. Yesterday's bombs in Ben Yehuda Street, which killed seven people and injured 150, went off days before Madeline Albright, the US secretary of state, was scheduled to make her first trip to the region since taking office. Five weeks earlier, in the Mahane Yehuda market, in the heart of west Jerusalem, two suicide bombers killed 17 people on the eve of the visit to the region of Dennis Ross, the US Middle East peace envoy.

Mr Ross's trip went ahead despite the bombs. But nothing of substance was gained. Mrs Albright's trip to the region next week will also go ahead. But she will find the two sides even more deeply entrenched and unwilling to resume the stalled the peace process.

To the Israelis, the bombs show that the Palestinians are unable to contain terrorism, which entrenches the Israeli governments reluctance to negotiate. On the Palestinian side, the bombs have revealed ever deeper splits between those willing to pursue peace and those irreconcilably opposed to its terms. This has further reduced the authority of Yassir Arafat and makes it ever-harder for him to push the for peace.

In response to the bombs, Israel immediately reimposed a complete blockade on the West Bank and Gaza. It had partially lifted the closure earlier this week following the July bombings.

David Bar-Ilan, adviser to Benjamin Netanyahu, the Israeli prime minister, said the only issue worth discussing now was how to stop the terrorist attacks. "It reinforces our insistence that we must concentrate now on talks with the US and the Palestinians to fight against terrorism."

Nahil Abourdene, an adviser to Yassir Arafat, president of the Palestinian Authority, condemned the bombings as acts "against the people, the Israelis." "But at the same time, we ask the Israeli government to implement quickly the peace accords. It is the only solution." The main hope now was for the US and Mrs Albright to step in to save the peace process.

"So much trust has been lost between both sides. So much confidence has gone. I don't know what she can do," said a senior Israeli official with close contacts with Mr Arafat. "The two sides have different perceptions of the peace process."

Site of sorrow: the scene after yesterday's bombings AP

Ever since Mr Netanyahu was elected 17 months ago, he has become increasingly sceptical about the peace process. His conservative Likud government, made up of a coalition of nationalists and ultra-Orthodox political parties, opposes the 1995 Oslo Interim Agreement that granted limited autonomy to the Palestinian self-ruled.

Mr Netanyahu has returned to Palestinian control only a tiny fraction of the amount they say should have been returned under the peace process. Last March, he started work on a new Jewish settlement at Har Homa in east Jerusalem. Despite criticism that such unilateral measures, which the US said "complicated the peace negotiations", he refused to halt construction, a move which led the Palestinians to suspend all contacts with Israel.

And in an interview to be published today in the Jerusalem Post, Israel's prime minister said he would not carry out a second troop pull back from the West Bank until the start of the final status talks, which will focus on the future status of Jerusalem and the Jewish settlements.

"The pullbacks, as part of the Oslo accords, were meant to increase our assets. But Netanyahu wants to have all the bargaining chips before the final status talks begin," said Saeb Erekat, the Palestinian chief negotiator. "This Israeli government carries out all these unilateral measures, including the confiscation of our land, expecting us to stay on the peace bus. I warned the Israelis such policies would play into the hands of the extremists on both sides."

The Israeli government – which insists it can build where it likes – has claimed the real responsibility for the terrorist attacks lies with the Palestinian Authority in general and with Mr Arafat in particular. After the July bombings, Mr Netanayhu called on Mr Arafat to crack down on the cells organised by the military wing of Hamas, the Islamic Resistance Movement.

But it is far from certain that Mr Arafat is able to crack down on Hamas, even if he were willing to. His authority has been greatly eroded by a series of corruption scandals. In contrast to the bombings in February and March last year, Mr Arafat has not ordered widespread arrests, fearing he would be perceived by Palestinians – who overwhelmingly support the peace process and oppose the terrorist attacks – to be bowing too much to Israeli pressure.

"And more dangerous for Arafat is that he has very little to show his people. They have not seen the fruits of the peace process," said Mr Abdel-Aziz Rantisi, founder and leader of the political wing of Hamas.

Because of the repeated closures, unemployment in the West Bank and Gaza is increasing. In some towns it is well over 40 per cent. And in retaliation for the July bombings, Israel's decision to stop paying income tax, value added tax and customs and excise revenues owed to the PA, has exacerbated matters. The monthly transfers of about $45m (£30m) are supposed to pay the PA's civil service and 30,000-strong police force.

These measures help explain why Mr Arafat has been loath to toe the Israeli line, and why he recently held a "national unity" meeting of the opposition and Hamas in the hope of shoring up his authority. "There is no consensus among Palestinians on how to deal with Netanyahu," said Mr Erekat. "The Israelis risk losing Arafat as a partner if they cannot deliver on the peace accords."

Herein lies the nub of the problem which the US will have to tackle if it has the political will to salvage the peace process. "Arafat needs some gestures from the Israelis but the Israelis keep demanding that Arafat does more to fight terrorism before they implement the accords. He has nothing to give his people," the Israeli official said.

The Israelis and Palestinians could inch closer together. A gesture by Mr Netanyahu on the settlement issue might help rebuild some lost confidence between the two sides. But yesterday's bombings only serve to harden Mr Netanyahu's position and weaken Mr Arafat's. "The peace process is hanging by a thin thread," the Israeli official said. "I don't know if Albright can save it."

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Friday September 5 1997

# Amazed by Mahathir

The responss of Mahathir Mohamad, Malaysia's prime minister, to sharp falls in local financial markets is ever more bewildering. Until last night, a misguided succession of measures seemed designed to accelerate the trend that has seen a 21 per cent fall in equities over the last two weeks.

Then came a sudden U-turn. Not only is Malaysia to delay its controversial Bakun dam and other extravagant projects, it has also rescinded the damaging restrictions on short selling which provoked big outflows of foreign money.

The markets must hope Dr Mahathir is finally getting to grips with the problem. But they will need some convincing after his erratic performance to date. The need for measures to stabilise share prices is urgent if Malaysia is to avoid a full-scale banking crisis that would bring a brutal end to the country's exemplary growth.

Malaysia's economy is one of the most highly geared in Asia. Since much bank borrowing is collateralised by shares, the credit bubble looks dangerously close to bursting.

Dr Mahathir's apparent willingness to change tack may involve a loss of face. If the markets do rally on the latest news, he will at least be able to claim thet Malaysian institutions made money out of following his instructions by intervening to support the market at its trough.

He may continue to use highly coloured rhetoric, but what has always counted is what he does, not what he says. And there is much more to be done. No rally will last without determined government measures to rein in credit and slow growth to a sustainable rate.

Dr Mahathir likes to portray what has happened as a plot by racist westerners anxious to deprive an up-and-coming developing country of the success that it deserves. But this is unfair both on Malaysia and the west.

Malaysia's remarkable development is bringing it inexorably into the orbit of global capital flows. In these days of open markets no government can turn those flows by political will alone, as many European governments trying to defend an unrealistic exchange rate have found to their cost.

The idea of a western plot against Asia looks particularly dubious when the Malaysian exampls is set against Indonesia. Jakarta markets stabilised yesterday after President Suharto'a governmant introdnced measures including a review of infrastructure spending, budget curbs, and efforts to smooth rationalisation in the banking sector.

It is to be boped that Dr Mahathir's actions yesterday indicate that he has finally realised that the longer Malaysia delays similar action, the bigger its problem will become.

# Brazil's policy

The longer Asia's financial crisis continues, the higher the risk that Latin America will suffer contagion. If this occurs – and it is on balance still unlikely – the country most likely to be hit is Brazil. That could happen, but not because Brazil will be directly affected by tha economic slowdown in Asia. Instead, it would be a result of emerging market funds taking profits in Latin America to cover their Asian losses.

It was timely, therefore, for Rubens Ricupero, a former finance minister, to remind his fellow citizens that Brazil's economy is weaker than many of the Asian economies now in turmoil.

The Real Plan, the government's anti-inflation strategy, depends excessively on an overvalued exchange rate and a tight monetary policy. This is because fiscal policy is too loose. The consolidated fiscal deficit is running at 4.9 per cent of gross domestic product and the government has been unable to secure backing from Congress for reform to put the hudget on a sustainable footing.

The atrong currency has meant export growth has been sluggish, helping to push the current account deficit over 4 per cent of GDP. Goldman Sachs says Brazil needs $55bn (£33.7bn) of external financing a year to sustain its programme, a sum that depends on a benign international capital market.

A number of factors should help Brazil weather any storm. Its massive privatisation programme is building up significant momentum: it could raise up to $85bn in the next two years, of which an estimated 40 per cent could come from foreign investors. Other foreign direct investment has been reaching record levels, while foreign exchange reserves at the last count stood at $63bn.

The government has also maintained flexibility to adjust the exchange rate. Perhaps more important, Asia's banking crises are unlikely to be replicated in Brazil. The rapid credit growth that preceded the Asian collapses – as well as Mexico's in 1994-95 – has been absent. A large part of the financial system has already been restructured since 1995, helped by an influx of foreign bank capital.

While all this is important, everybody including the administration of President Fernando Hsnrique Cardoso, recognises the current economic policy mixture is unsustainable. Redoubled government efforts to secure fiscal reform are necessary. In the meantime, even tighter credit conditions may be needed to forestall any speculative onslaught. This might weaken Mr Cardoso, who is expected to seek re-election in October 1998, but it would be better than a financial crisis.

# The GEC lesson

Ths Hampel committee on corporate governance is convinced that the debate in Britain has concentrated excessively on accountability at the expense of business prosperity. Given that the governance process was originally a response to corporats malpractice, this assertion has a superficial ring of plausibility. Yet the implicit suggestion that accountability and prosperity are incompatible should not be allowed to pass unquestioned.

Consider the case of the General Electric Company, whose annual meeting today raises issues, not for the first time, about remuneration and performance. Under its previous chief executive Lord Weinstock, it was widely regarded as falling short of the highest standards of corporate governance. Many judged that Lord Weinstock, who was 72 on retirement, stayed on too long. The board did not act as a notably rigorous check and balance on a dominant chief executive. GEC's performance in Lord Weinstock's later years was unimpressive.

Yet shareholders failed to apply adequate pressure for a more speedy succession. And it is hard to believe that GEC's performance would not have been improved if the institutions had used their voting power to press for a better board. GEC under Lord Weinstock was far from being a typical British company. But it was not untypical, as John Kay and others have argued, in its lack of accountability.

Since Lord Weinstock'a departure the company has shown welcome improvements in governance practice. Institutional shareholders have become more active, notably in raising objections to the pay package for his successor, George Simpson. But today they will pass a verdict on remuneration for other directors, including a scheme where very generous share options will become exercisable on the basis of surprisingly undemanding performance targets. Early indications are that it will all be voted through with a minority dissenting.

There would be nothing unusual in that. Countless other schemes have already been accepted in spite of failing to meet the Greenbury committee's recommendation for challenging performance criteria. This, along with the endemic process of inflation in the boardroom, suggests that the workings of the remuneration committee need a more radical rethink than Hampel recommends. So, too, does tha voting behaviour of the institutions.

Without that, public acceptance of business will be hard to sustain in the next downturn whan the corporate accidant rate is rising and unemployment is moving the same way.

# New Labour, new unionism

## Tony Blair's 'fairness not favours' approach to unions will be put to the test next week, writes **Robert Taylor**

Next week's Trades Union Congress in Brighton will show whether New Labour and the New Unionism are compatible. Union leaders will spell out what they expect from the first Labour government since 1979. Tony Blair's keynota speech to delegates on Tuesday will spell out the kind of relationship he wants to develop between the TUC and his modernising government.

Both agree there will he no return to the "beer and sandwich" days of previous Labour governments in the 1960s and 1970s, wben union leaders never seemed to be out of Downing Street with apparently insatiable demands for more power and infiuence.

The unions have accepted they will have to live with most of the labour law reforms introdnced by Margaret Thatcher to weaken them. Mass picketing will not be coming back, while compulsory union postal ballots are here to stay for the election of leaders and before strikes.

The prime minister has no wish to see a repeat of the confrontations between Labour and the trade unions that led in 1979 to the winter of discontent whose memory haunted his party for its 18 years in opposition. Every Labour government since the second world war has run into difficulties with its trade union allies. He is determined that his will not.

John Monks, TUC general secretary

However, compared with what happened during the Tory years, the trade unions are no longer out in the cold. John Monks, the TUC's modernising general secretary, believes the government has already "shown a willingness to listen to trade unions on a range of important and practical matters".

The low pay commission has been established to help set a national minimum wage. Trade unionism has returned to the government's communications centre at Cheltenham after a 13-year ban. The European Union social chapter has been signed, which will end the UK opt-out secured by John Major at Maastricht in 1991.

In other smaller ways the change of government in May has brought better times for the trade unions. Their leaders once again talk regularly with ministers and civil servants both at meetings and on the telephone in all government departments.

Mr Blair may invite pop stars and media luvvies to his soirees but union leaders are being entertained next door by Gordon Brown, the chancellor, and they enjoy good relations with Ian McCartney, Margaret Beckett's deputy at the Trade and Industry Department, who is in charge of fulfilling the trade union agenda.

In terms of policies, the unions are concentrating on two main areas, European labour law and the list of issues they describe as "fairness at work". They believe Mr Blair can accept both without compromising on his aim of increasing UK competitiveness in the global economy.

Union leaders remain among the country's strongest enthusiasts for the European Union, some even urging that the UK should join the proposed common currency from the start – something that Mr Blair has no wish to do.

"Our belief is that the European model of civilised prosperity... offers the best bope not just for our continent but for the wider world," Mr Monks writes in the introduction to his Congress report.

Potentially, this could cause conflict with the government. Mr Blair speaks of carving out a "third way" on employment issues for the UK, lying between tha free market approach of the US and the system that prevails on tha European mainland, which stresses labour-market regulatyion. Most union leaders, however, would want to see Britain converge with continental Europe and have no time for the US model.

Mr Monks sees the UK in terms of the European system, which, he says, "should be developed in a complex and changing world". The term "social partnership" has only recently infiltrated into the language of British industrial relations. But it is rarely off the lips of trade union leaders nowadays.

Like it or not the Labour govermmant will have to accept sweeping EU-based legally binding regulations in the next few years that the trade unions want and which will have a profound impact on the workplace.

They will cover maximum working hours, the right to paid bolidays and parental leave, and equal rights between part-time workers and those in full-time jobs. They also provide for consultative committees for employees in cases of business transfers and collective redundancies.

EU social affairs commissioner Padraig Flynn is expected to announce further measures in ths Brussels pipeline when be speaks to the TUC next week.

Much of this may be seen by Mr Blair as a burden on business. He has already said that he will fight hard against any employment regulation that he judges will make the UK labour market less flexible.

Earlier this summer, Mr Flynn suggested that all companies may be required to have consultative works councils by law. Mr Blair's negative response to the proposal showed the prime minister does not share the TUC's enthusiasm for the European social agenda.

But the real test of whether tha government and the unions can work together is not Europe. It is the government's promised white paper on future "fairness at work" legislation due early next year. Mr Blair has reaffirmed that his government will carry out the white paper. This may have allayed fears among the trade unions that he would like to abandon his manifesto commitments on industrial relations. But it is still by no means clear that the unions will secure all they want in future employment law.

Here the vital and sensitive issue is trade union recognition. The TUC wants a law that will entitle employees to have a trade union to negotiate their pay and benefits if they want.

At present companies can refuse to recognise and bargain with trade unions even if all their employees want this to bappen. "An employer should not be able to exercise a veto by refusing to deal with a union," says Mr Monks.

The Confederation of Britisb Industry is talking seriously with the TUC on whether they can reach agreement on all sorts of employment issues, including union recognition. That suggests the old adversarial attitudes are disappearing. Most companies are unlikely to back the idea of union recognition but as pragmatists they seem ready to acquiesce rather than resist.

There is little evidence that the UK is about to see a return of labour turbulence. There are few strikes and the relatively peaceful outlook for labour relations ought to help establish the new government-trade union relationship on a stabla footing. But Mr Monks accepts neither unions nor government has yet defined what their new relationship ought to be. "It is not clear how we fit in," he admits.

But after next year's "fairness at work" proposals in the promised white paper have come into law in the 1998-1000 parliamentary session, Mr Blair has told Mr Monks there will be no more reforms to help the trade unions. He is unlikely to drop his guard when dealing with the TUC. He has been criticised in the past by certain union leaders, particularly when he dropped his support for the closed shop as Labour's employment spokesman.

Nor does be enjoy warm personal relations with senior union leaders, whom he regards as often overbearing and vain. He is unconcerned about the values and traditions of the labour movement. Mr Blair did not come out of the bowels of the trade union movement and is tied neither by sentiment nor interest to its collectivist values. This means his relations with New Unionism are always going to be edgy and ambivalent.

Moreover, Mr Blair remains deeply suspicious of trade union intentions, particularly those of activists in the public services who could try and mobilise discontent against wage restraint. He also questions whether most UK trade unions are genuine in their promise to help and not obstruct business competitiveness. And he wonders whether many union leaders share his concern to defend the flexibility of the UK labour market.

Among the prime minister's key advisers are people known for their bostility towards trade unionism, notably Peter Mandelson, the minister without portfolio (and perhaps ironically, a former TUC employee). They regard trade unions as part of Old Labour – out of touch, disloyal and irrelevant to their project.

It is successful businessmen like Lord Simon and Martin Taylor, Barclays chief executive not union leaders who are lionised in 10 Downing Street. But union leaders seem well-satisfied for the moment with what little they are being offered. What doubts and frustrations about New Labour they may havs are being kept, for the most part, to private occasions. Few question government policy or even Mr Blair's plans to strengthen his own authority within the Labour party conference partly at the expense of the trade unions.

For Mr Monks and his modernising union allies in the prime minister's visit to Congress is vital in their efforts to restore some of their lost powsr and influence. The days have gone when Labour leaders came as supplicants to the TUC. "Fairness not favours" is tha approach Mr Blair says he wants to develop in his dealings with the trade unions. Next Tuesday's performance should indicate whether that phrase is more than just a wsll-meaning soundbite.

# · OBSERVER ·

## New crown for Zepter

■ Bernhard Zepter is back in Brussels, striding along the familiar corridor of power on the 12th floor of the European Commission headquarters. A former top aide to ex-president Jacques Delors, Zepter has returned from a brief stint in Bonn to become the Commission's deputy secretary with special responsibility for external relations.

Zepter, 52, a Bavarian who joined the German diplomatic service almost 25 years ago, strengthens Germany's representation in the higher echelons of the Commission and its influence over the embryonic common European foreign and security policy. The other key post is held by Jurgen Trumpf, secretary general of the European Council, who is also charged with preparing the regular EU summits.

Zepter teamed up with Delors in 1990. This came at the end of a hectic round of international diplomacy surrounding German unification, which had left chancellor Helmut Kohl indebted to Delors for his early support for uniting west and east Germany. Zepter indirectly took some of the credit. He spent four-and-a-half years in the Delors Cabinet – a lot longer than some, who found the pressure-cooker atmosphere too much to bear. Life under the benign president Jacques Santer should prove more agreeable.

## Opinion leader

■ Thais must wait a little longer to find out what Prime Minister Chavalit Yongchaiyudh thinks about the controversial proposed new constitution. In a rambling television interview/address on Monday, he was asked outright whether he was for or against. "I am 100 per cent," was the helpful reply. Things didn't improve much yesterday, in a less than stirring address to parliament, he confined himself to wondering whether the document was, well, perfect.

## Warning shot

■ The Central Bank of Nigeria is warning the world about the advance fee frauds emanating from Africa's most populous country. Fraudsters invite punters to help shift money out of Nigeria, then demand money for fees and taxes to enable "transactions" to take place.

The bank's adverts, in over 80 publications in 36 countries, spare little sympathy for the victims – or, in the bank's words, "so-called victims who are also villains", who get involved because of "criminality, avarice and greed."

The advert makes clear that "there are no contract payments trapped in the bank" and is very long, hnt apparently not quite long enough. There wasn't room to mention police commissioner Fareena Naziri's complaints that ber force has nicked over 100 people for alleged involvement in tha scams, but the country's courts always have "one excuse or the other" for not dealing with them.

## Open channel

■ Behind the recent North Atlantic spat between Greenpeace and British Petroleum, the two are in touch at summit level. Greenpeace head Peter Melchett, back from a scuba-diving holiday in warmer Caribbean waters, spent an evening this week with BP boss John Browne.

The two have something in common. More puritan colleagues say Melchett, a former British peer and minister, is too eager to play ball with the business establishment. Browne has distanced BP from the oil industry's conservative stance on climate change; he reckons the industry'a got a responsibility to help tackle the problem and is expanding BP's solar power business.

Their tête-a-tête was by all accoonts a discreet, off-the-record affair. Who knows, perhaps dialogue between environmentalists and business folk can amount to more than just bot air.

## Courtesy cars

■ The 4,000-odd taxi drivers of Los Angeles, who sail a fleet of mostly rattletrap Chevrolats without much sense of direction, are to be given lessons in manners. This may sound like good news to anyone who has ever been trapped in a narrow back seat, pierced by broken springs and partitioned from driver contact by a bullet-proof screen. But the local authority's offer of $100,000 for "sensitivity training" has gone down badly in cabbiedom: no-one likes being classified as churlish.

"Some customers want more than just a quick ride," says James Okazaki, the man behind the plan. But in a city where most locals have a car or three, many punters do just want to get from airport to hotel or home from a bar as smartly as possible. So maybe the authority should spend the money on a stock of city maps, or a library of customised foreign language phrasebooks with useful sayings such as "I appear to have a piece of gum/burrito/sushi stuck to my clothes," or "are you really sure you know where you're going?"

## Financial Times 50 years ago

**Marshall Aid Proposals**
New York, 4th Sept. It is held in well-informed Washington quarters that concern about Europe's economic crisis will soon compel President Truman to make a decision on emergency U.S. aid: It was revealed to-day that Mr. George Marshall, U.S. Secretary of State, was beginning an intensive series of conferences with his senior experts in the hope of working out a definite scheme within the next fortnight. The President is being forced to decide promptly whether the U.S. will offer stop-gap financial help to Europe now or await the full development of the European self-help plan suggested by Mr. Marshall. The State Department has become convinced that Europe cannot wait for the slow unfolding of the Marshall Plan.

**Australian War Tax**
Australian mining interests, apart from the gold-mining industry, have protested for a long time against excessive federal taxation. In particular, the so-called war-time company tax has hit base-metal producers with exceptional severity and unfairness. For example, Broken Hill South in 1944-45 paid as much as 85 per cent on a substantial proportion of its profits.

FINANCIAL TIMES
Friday September 5 1997



# Nasdaq steps up fight against internet fraud

## US stock market to launch surveillance device

By Jane Martinson in London

Nasdaq, the secood biggest US stock market, is to introduce a surveillance device to detect the transmission of share-price-sensitive false information on the internet.

The device, which will be installed before the end of this year, is designed to trawl so-called "chat rooms" on the internet lcoking for false information that could move share prices. It has been specially developed for Nasdaq by SRA, a Virginia-based software company.

Beth Weimer, vice-president of Nasdaq's MarketWetch department, is to tell a conference of exchange regulators in London today that the informatioo flow over the internet is of increasing concern.

"The internet has become a much larger issue because the use of it has hecoma much greater. It is such a powerful information tool," she said.

Fraudsters use the internet to start a rumour or offer unsolicited advice in order to push up the price of an equity. Regulators typically wait for suspicious price and volume movements before launching an investigation.

The new device, which will track some 4,000 Nasdaq-listed companies, will search for market-sensitive information that has not heen officially announced. Ms Weimer said Nasdaq could contact companies, asking for information about a product that has been mentioned on the internet.

The development of the device was partly prompted by the controversy over Comparator Systems last summer.

Shares in the manufacturer of fingerprint identification systems soared over three days, setting trading records and satting off regulatory alarm bells. Ms Weimer said investigations later found that the share rises were related to a series of reports on the internet suggesting that the company had signed contracts with US government departments for the fingerprinting devices.

Comparator, which was subsequently investigated by the Securities and Exchange Commission, has since heen delisted from Nasdaq.

The exchange, which announced tougher listing requirements last week, has spent between $1m and $2m on the initial development cost of the new device.

Ms Weimer will be speaking shout a range of regulatory challenges posed hy the internet at today's seminar, hosted hy the London Stock Exchange and the Federation International des Bourses de Valeurs, a grouping of international stock exchanges.

# Fugitive ordered to pay $2.1bn to BCCI liquidators

By Christopher Adams in London

A fugitive businessman closely linked with the failed Bank of Credit and Commerce International has been ordered to pay $2.1bn in damages to the hank's liquidators, raising hopes that tens of thousands of creditors may recover more of their money than expected.

The award by a Cayman Island court is the biggest yet to come out of a long-running investigation into the failure of BCCI, which collapsed six years ago with debts of more than $12bn as a result of widespread fraud.

Deloitte & Touche, the accountancy firm acting as one of the liquidators to BCCI, has identified between $300m and $500m of Ghaith Rashid Pharaon's assets, which it said rightly belonged to creditors. These included a large oil refinery in Pakistan and hotels in South America.

The damages could help lift the eventual pay-oot to creditors to more than half of what they are owed, compared with previous expectations of 30-40 per cent.

Mr Pharaon acted for BCCI and other closely affiliated companies, representing their interests around the world in return for substantial loans.

A court in the Cayman Islands ruled two years ago that he acted fraudulently by disguising the ownership of shares by an affiliate of BCCI in a company called Attock Oil. Mr Pharaon transferred ownership of the shares to a company he controlled directly soon after BCCI collapsed. The BCCI affiliste, International Credit and Investment Company, received nothing in return and Mr Pharaon has refused to give up ownership.

Deloitte & Touche is also trying to recover some $5.1bn from Prics Waterhouse and Ernst & Young, the two firms which audited BCCI's accounts. It is to appeal against a ruling which rejected s £550m claim against the Bank of England.

Mr Pharaon lives in Saudi Arabia, but has managed to make several trips to Pakistan despite an international warrant for his arrest. His affairs are complicated by a tangled wsb of companies, making it difficult for liquidators.

A quarter of BCCI's 100,000 creditors have received one payment of $2.65bn so far, representing 24.5 per cent of their losses. Another dividend of at least 10 per cent is expected to be paid hy early 1998.

Mr Pharaon, who faces four separate criminal charges in the US, where be was permanently barred from banking earlier this year, could not be reached for comment.

# Malaysia lifts curbs

Continued from Page 1

Swies-Swedish eogineerlog group. ABB was yesterday eeeking clarification of the announcements. ABB shares fell 2.5 per cent in Zurich and 2.2 per cent in Stockholm.

Other projects that may be delayed include an international airport and the longest building in the world.

But the "mega-project" to build two cities to form the heart of the "multimedia super corridor" near Kuala Lumpur remains on course.

Dr Mahathir's announcement came after a day in which the financial community had grown uneasy. Anwar Ibrahim, deputy prime minister and finance minister, threatened to use a tougb security law against people who "sabotage" the economy.

# Diana

Continued from Page 1

bad previously planned to return to London by train overnight tonight. The Queen has also agreed to allow Buckingham Place to fly a Union flag at half-mast.

And last night, senior Royals st Balmoral, entered the public eye for the first time since Diana's death, visiting the local Craithie Parish Churcb for private prayers, then stopping outside Balmoral to inspect the swathes of flowers.

Meanwhile, a French photographer handed himself in to police in Paris, as more photographs of Diana and Dodi Fayed were being secretly bid for in London last night.

# France Telecom sell-off could put coalition at risk

By David Owen in Paris and Graham Bowley in Frankfurt

The French government is poised to agree to the sale of up to 33 per cent of France Telecom's capital in a move that may put relations with its Communist coalition partners onder increased strain.

The announcement, which could come today, is expected to pave the way for up to a third of the state-owned operator's shares to be sold off over a period of up to five years.

But last night it was still unclear whether the government would risk the anger of some of its leftwing supporters by allowing the rapid flotation of a proportion of the capital apparently planned for disposs1. Ons well-placed Socialist supporter suggested that the ldea of flotation would be the hardest pill for the lsft to swallow.

Tensions already appear to he high after this week's warning by Christian Blanc, chairman of Air France, that he would resign if the government did not quickly agree to privatise the national carrier. The warning was triggered by remarks hy Jean-Clande Gayssot, the Communist transport minister, who told Humanité, the party's newspaper, that he wanted "neither privatisation nor the status qno".

Trade unlon leaders said they expected the outside parties to which France Telecom shares would he sold to include Deutsche Telekom, the German telecoms operator, the company's own staff and other French state-controlled enterprises snch as Caisse des Dépôts et Consignations, the financial institution, and Electricité de France.

Two trade unionists said independently they expected a total of 10 per cent of tbe gronp's capital to he earmarked for such public institutions, with a further 10 per cent used for a share exchange with the German company.

Marc Duhem, deputy general secretary of the post and telecoms branch of the Force Ouvrière union, said he expected France Telecom's public service roie to be enhanced and that the company would be entrusted with the task of linking French schools to the internet.

Deutsche Telekom did not rule out the possibility that it would take a stake in France Telecom, saying a share swap was a possibility it would consider to strengthen ties. EdF had no comment.

Speculation abont France Telecom's future has reached a high pitch in the run-up to a report, due to be submitted to the government today, by Michel Delebarre, a Socialist who has held a number of ministerial posts. He was charged with consulting France Telecom's employees over its partial privatisation.

See Lex
Chinese Telecom, Page 13

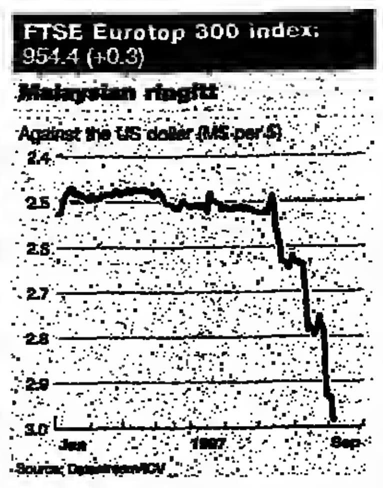
THE LEX COLUMN

# France's cold call

So France's stalled privatisation programme is moving again. Well, not quite. It looks as if France's Socialist-led government has found a formula for eelling off part of France Telecom. But the scheme is so hedged that it is scarcely worth having. Limiting the share sale to, at most, a third of FT's equity and spreading it over five years is disappointing enough. More worrying is the suggestion that some shares are to be "sold" to other state-owned enterprises like the slectricity monopoly. What such paper-shuffling is supposed to achieve is a mystery. It certainly will not bring in cash or put France Telecom under private-sector disciplines.

The plan to "sell" shares to Deutsche Telekom is fair enough as a way of cementing the relationship between the French and German operators. But that would not raise cash or hring capital market disciplines either, since it would probably be via e share swap. Moreover, the net effect is that there will be perhaps a maximum of 10 per cent left for a public flotation. But how keen would investors be in becoming minority shareholders in what would still very much be an arm of the French state? In the circumstances, suggestions that the government may not even float the shares could be a blessing in disguise.

FTSE Eurotop 300 index: 954.4 (+0.3)




## Malaysia/ABB

The cancellation of Malaysia's prestige Bakun dam project looks an almost unavoidable consequence of the country's broader economic crisis. The project cost, for one thing, will have risen, thanks to the Malaysian currency's depreciation. Equity financing, already a long ehot after a rights issue flopped in June, must be pretty much hopeless now. And state-run pension funds, which might previously have contributed large sums, are now otherwise engaged on a more pressing mission to prop up the markets.

ABB, the main contractor, can sustain the loss of even $2.5bn in Bakun orders without too much financial pain. The bigger question is whether investors have correctly priced the risks for companies such as ABB with big interests in the region. If there are project financing problems at Bakun, they are unlikely to be south-east Asia's last.

From Malaysia's point of view, of course, the ditching of Bakun and other grandiose infrastructure projects is no bad thing. It is far from obvious that the country can afford them. Yet the underlying difficulties in raising funds for investment – not helped hy the government's anti-foreigner tirades – are no cause for rejoicing. True, the government did lift its ban on short-selling yesterday. But it was still talking of incarcerating speculators for "sabotaging the economy". And scaring off foreign investors is a silly tactic for a developing country with a hig appetite for capital.

## Emu

What is Hans Tietmeyer, the Bundesbank president, playing at? Earlier this week, he inveighed against those who say a delay to economic and monetary union in Europe would be a disaster. But the political furore these comments prompted yesterday forced him to stress that he was not arguing for a delay. That is true, hut why did he fire his broadside at all? After all, Mr Tietmeyer knows full well that any comment he makes about Emn will attract the closest scrutiny.

Certainly it would be curious to be pushing, however obliquely, for a delay now. Recent growth and deficit projections for Emu's aspirant members have been fairly sncouraging. Most likely, he was simply reminding recalcitrants that the Bundesbank remains Emu's final arbiter, and that it will not prove a soft touch. But the hysterical response he provoked was a reminder of how nervous Europe's politicians remain about the project – with good reason in many countries, given the fragile public support for the project.

A delay would, at best, be a highly destabilising event. That much Europe's politicians bave ensured by mostly refusing even vaguely to countenance that a delay might occur. A *volte face* would thus come as an enormous shock. But properly handled, it need not be a terminal one. There would be an initial panic dash for refuge in the D-Mark, but there is no reason why markets should not subsequently stabilise if governments show sufficient fidelity to the Maastricht targets.

## Psion

Psion may have handled the introduction of its new "palmtop" computer lass than perfectly. Demand for its old product fell off as distrihutors anticipated the launch of the new one; hut the company has not been able to ramp up production sufficiently rapidly to meet demand for the replacement model. The good news is that demand for the new palmtop, the Series 5, is so strong to cause these problems in the first place.

Most reviews in the trade press rate the Series 5 better than similar products based on Microsoft's Windows CE software. Psion itself thinks that as soon as production is in full swing – scheduled for the last quarter of the year – it will be selling more than all Windows CE manufacturers combined. It is even putting in contingency plans to step up production further by using subcontractors. It is, of course, dangerous to underestimate Microsoft. Though Windows CE has glitches, the software giant can presumably sort them out if it has sufficient will. Psion's hope must be that Microsoft thinks the market – currently 2m units a year – too small to be worth the effort. Moreover, despite its name, Windows CE is not actually terribly compatible with the Windows software used on desktop computers; by using internet browsers, Psion's machines may be even better at communicating with desktops.

The new palmtops can perform the functions of a laptop at a fraction of their weight and size. With Psion making real headway in the US for the first time, it has a chance of consolidating its position as the industry's leader just when tbe market looks like taking off. If sales continue to boom, Psion's recent share price slide will be quickly reversed.

Additional Lex comment on Dixons, Page 17

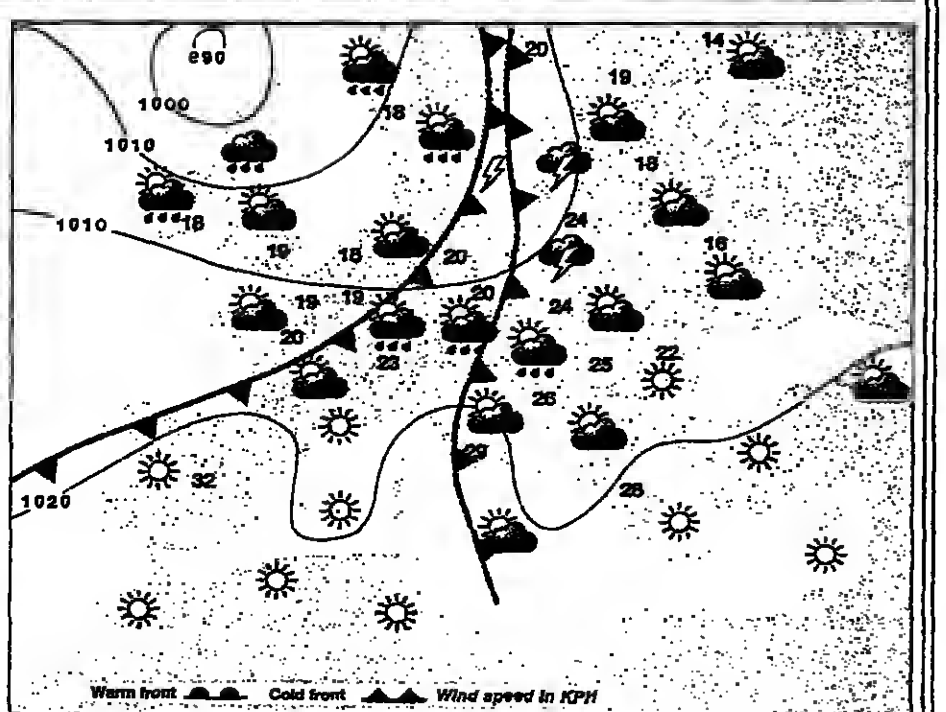
FT WEATHER GUIDE

## Europe today

Low pressure between Iceland and Scotland will bring showers to much of northern Europe. Scandinavia will have some heavy downpours with scattered thunderstorms over southern Sweden. There will be showers in the area stretching south from the Baltic states to the Balkans. Central Europe will have fewer showers but thunderstorms are still possible near the Alps. Most of the Iberian peninsula will be sunny and hot, although cloud in the north could bring brief showers. Malta and Sicily could turn thundery, but the rest of the Mediterranean will stay sunny. Russia and Ukraine will also be sunny but cold.

**Five-day forecast**

Scandinavia will be windy and wet with rain tomorrow followed by blustery showers. The Baltic states will stay showery with some showers moving into Russia and south-east Europe. Most of central, western and north-west Europe will be dry with some sunshine. It will stay sunny across the Mediterranean.




Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

**TODAY'S TEMPERATURES**

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maximum Celsius | Beijing | Sun 30 | Cardiff | Cloudy 18 | Frankfurt | Cloudy 24 | Madrid | Sun 32 | Rangoon | Thunder 29 |
| | | Belfast | Shower 16 | Casablanca | Sun 27 | Geneva | Fair 25 | Majorca | Sun 28 | Reykjavik | Fair 11 |
| Abu Dhabi | Sun 38 | Belgrade | Fair 25 | Chicago | Fair 25 | Gibraltar | Sun 24 | Malta | Thunder 28 | Rio | Sun 30 |
| Accra | Cloudy 29 | Berlin | Shower 24 | Cologne | Thunder 21 | Glasgow | Rain 16 | Manchester | Cloudy 18 | Rome | Fair 29 |
| Algiers | Fair 27 | Bermuda | Fair 29 | Dakar | Thunder 32 | Hamburg | Thunder 20 | Manila | Fair 33 | S. Frsco | Fair 24 |
| Amsterdam | Shower 18 | Bogota | Thunder 19 | Dallas | Sun 31 | Helsinki | Cloudy 20 | Melbourne | Shower 15 | Seoul | Thunder 29 |
| Athens | Sunny 28 | Bombay | Cloudy 32 | Delhi | Fair 33 | Hong Kong | Fair 31 | Mexico City | Cloudy 26 | Singapore | Thunder 32 |
| Atlanta | Sunny 27 | Brussels | Fair 18 | Dubai | Sun 39 | Honolulu | Fair 32 | Miami | Thunder 32 | Stockholm | Rain 20 |
| B. Aires | Shower 16 | Budapest | Thunder 26 | Dublin | Fair 18 | Istanbul | Fair 21 | Milan | Fair 26 | Strasbourg | Cloudy 25 |
| B.Ham | Cloudy 19 | C.Hagen | Shower 19 | Dubrovnik | Fair 26 | Jakarta | Fair 32 | Montreal | Fair 21 | Sydney | Shower 19 |
| Bangkok | Thunder 34 | Cairo | Sun 30 | Edinburgh | Cloudy 18 | Jersey | Fair 18 | Moscow | Cloudy 14 | Tangier | Sun 28 |
| Barcelona | Sun 28 | Caracas | Thunder 32 | Faro | Sun 28 | Johannesburg | Fair 22 | Munich | Shower 25 | Tel Aviv | Sun 33 |
| | | | | | | Karachi | Fair 33 | Nairobi | Fair 26 | Tokyo | Shower 29 |
| | | | | | | Kuwait | Sun 43 | Naples | Fair 29 | Toronto | Sun 23 |
| | | | | | | L. Angeles | Sun 30 | Nassau | Thunder 32 | Vancouver | Shower 18 |
| | | | | | | Las Palmas | Sun 29 | New York | Sun 25 | Venice | Sun 25 |
| | | | | | | Lima | Cloudy 24 | Nice | Sun 28 | Vienna | Shower 25 |
| | | | | | | Lisbon | Sun 30 | Nicosia | Sun 31 | Warsaw | Shower 22 |
| | | | | | | London | Fair 20 | Oslo | Shower 18 | Washington | Sun 28 |
| | | | | | | Lux.Bourg | Rain 20 | Paris | Cloudy 21 | Wellington | Fair 10 |
| | | | | | | Lyon | Fair 26 | Perth | Rain 19 | Winnipeg | Fair 25 |
| | | | | | | Madeira | Sun 26 | Prague | Fair 25 | Zurich | Cloudy 23 |

FINANCIAL TIMES
# COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1997 Friday September 5 1997 Week 36



## IN BRIEF

### ABN Amro puts focus on London

ABN Amro, the largest Dutch bank, plans to make London a centre for its worldwide asset management activities, putting it on an equal footing with Amsterdam. It has recruited Tom Cross Brown, a long-time Lazard banker, to head the London operations. Page 14

**Profits up 71% at acquisitive Ahold**
Ahold, the Dutch supermarkets group, reported a 71 per cent rise in second-quarter net profits to Fl 207.4m ($101m), and said it was looking for further acquisitions in the US. Page 14

**Amex expands into Czech Republic**
American Express, the US financial services group, is to license Komercni Banka of the Czech Republic to issue American Express cards denominated in Czech Korunas. Page 16

**Cockerill Sambre may look for partners**
Cockerill Sambre, the Belgian steelmaker, said it might begin talks next year with potential partners to reinforce its position in the rapidly consolidating European steel industry. Page 14

**Advanced Micro issues loss warning**
Advanced Micro Devices, the US chipmaker, expects to report a "small" loss in the current quarter. It has been unable to meet production targets for its K6 microprocessors. Page 16

**Sema plans expansion into US**
An expansion into the US computer services market was promised by Sema after the Anglo-French group restructured its shareholder register to meet US regulations. Page 17

**Anglo American digs deep for gold**
Anglo American Corporation, the South African mining group, is considering digging the deepest mine ever, at 5,000m, or 16,400 feet, to tap gold reserves in the Witwatersrand basin. Page 20

**Hongkong Land in Chinese joint venture**
Hongkong Land, the property arm of the UK-controlled Jardine group, announced plans for a $100m joint venture project in China. Page 15

**Hillsdown quits red meat business**
Hillsdown Holdings, the diversified UK food group, is to sell its remaining red meat businesses following a strategy review. Page 17

**Companies in this issue**


| | | | |
|---|---|---|---|
| ABB | 1,5,12 | Hongkong Land | 17 |
| ABN Amro | 18 | Hoogovens | 18 |
| ADTranz | 3 | Hudson Foods | 13 |
| AMD | 18 | Hwa Hong | 18 |
| ANZ | 5 | ICB Shipping | 16 |
| Ahold | 16 | Infosys Technologies | 17 |
| American Airlines | 13 | Intel | 18 |
| American Express | 18 | Invercredito | 18 |
| Anglo American | 22 | John Fairfax Hldg | 17 |
| Arbed | 16 | Kawasaki Kisen | 4 |
| BCCI | 12 | King Kok Investment | 17 |
| Banco Santander | 18 | Komercni Banka | 18 |
| Barnett Banks | 18 | Korea First Bank | 5 |
| Bindura Nickel | 22 | Krupp Hoesch | 16 |
| Bombardier | 3 | Liffe | 13 |
| Bouygues | 3 | Lloyds-TSB | 13 |
| Brierley Investments | 17 | Mechaniki | 3 |
| British Airways | 13 | Mitsui OSK Lines | 4 |
| British Steel | 16 | NYK Lines | 4 |
| Bull | 16 | National Australia Bank | 5 |
| CSI | 18 | NationsBank | 16 |
| Cable and Wireless | 13 | Neste | 18 |
| Carrefour | 18 | OMV | 18 |
| Chauvco | 18 | PLDT | 17 |
| China Telecom | 13 | People's Insurance | 18 |
| Cockerill Sambre | 16 | Pioneer | 18 |
| Crown Pacific Dev. | 17 | Psion | 12 |
| Cummins | 18 | Rodamco | 17 |
| DTB | 13 | SNC-Lavalin | 3 |
| Dassault Systèmes | 18 | Sema | 17 |
| Delta Air Lines | 13 | Senior Engineering | 17 |
| Dixons | 17 | Signet | 17 |
| Eagle Mining | 17 | Sofretu | 3 |
| East Rand Prop | 22 | Star Alliance | 13 |
| Elf Aquitaine | 16 | Suez-Lyonnaise | 16 |
| FVI | 18 | Televisa | 18 |
| First Interstate | 18 | Thistle Hotels | 17 |
| France Telecom | 12 | Thyssen | 16 |
| Frontline | 18 | Total | 16 |
| Great Central Mines | 17 | Tyson Foods | 13 |
| Hartford | 18 | Usinor | 16 |
| Hillsdown | 17 | Village Roadshow | 17 |
| Hochtief | 3 | Wärtsilä NSD | 16 |
| | | Wells Fargo | 16 |
| | | Westpac | 5 |
| | | Wiluna Mines | 17 |


**Market Statistics** http://www.FT.com


| | | | |
|---|---|---|---|
| Annual reports service | 24,25 | FTSE Actuaries share indices | 28 |
| Benchmark Govt bonds | 18 | Foreign exchange | 19 |
| Bond futures and options | 16 | Gilts prices | 18 |
| Bond prices and yields | 18 | London share service | 24,25 |
| Commodities prices | 20 | Managed funds service | 21-23 |
| Dividends announced, UK | 17 | Money markets | 19 |
| EMS currency rates | 19 | New Intl bond issues | 16 |
| Eurobond prices | 18 | Bourses | 28,28 |
| Fixed interest indices | 16 | Recent issues, UK | 26 |
| FT/S&P-A World indices | 30 | Short-term int rates | 19 |
| FTSE Gold Mines index | 28 | US interest rates | 18 |
| Emerging Market bonds | 18 | World stock markets | 27 |


**Chief price changes yesterday**

| | | | |
|---|---|---|---|
| **FRANKFURT (DM)** | | | |
| **Rises** | | | |
| Porsche | 2749 | + | 29 |
| Varta | 304.50 | + | 9.50 |
| **Falls** | | | |
| GEA Prf | 590 | − | 17 |
| Holzmann | 532 | − | 18 |
| Preussag | 483 | − | 11 |
| Volkswagen | 1345 | − | 10.50 |
| **NEW YORK ($)** | | | |
| **Rises** | | | |
| Coast Savings | 51 | + | 3½ |
| Hudson Foods | 20 | + | 2⅞ |
| Newbridge Ntwk | 54¼ | + | 5¼ |
| **Falls** | | | |
| AnnTaylor | 14¼ | − | 2½ |
| Green Mountain | 21⅛ | − | 4⅛ |
| Shanghai Petro | 31¼ | − | 3⅞ |
| **LONDON (Pence)** | | | |
| **Rises** | | | |
| Epic Mltimed. | 15 | + | 4½ |
| IAF | 84½ | + | 8 |
| Medisys | 39 | + | 10½ |
| Pan Andean | 45 | + | 4 |
| **Falls** | | | |
| Laser-Scan | 17½ | − | 9 |
| Pesco's | 58 | − | 5½ |
| **TORONTO (C$)** | | | |
| **Rises** | | | |
| Barrington | 8.50 | + | 0.60 |
| Chauvco | 31.60 | + | 6.80 |
| Dorset Expl | 8.75 | + | 0.75 |
| Trican Well | 7.75 | + | 0.75 |
| Trimac | 12.00 | + | 1.25 |
| **Falls** | | | |
| Plains Engy | 10.00 | − | 0.75 |

| | | | |
|---|---|---|---|
| **PARIS (FFr)** | | | |
| **Rises** | | | |
| Elf Aquitaine | 760 | + | 29 |
| **Falls** | | | |
| Air Liquide | 920 | − | 24 |
| BIC | 440.20 | − | 17.90 |
| Bongrain | 2102 | − | 113 |
| Carrefour | 3675 | − | 285 |
| Guilbert | 750 | − | 22 |
| **TOKYO (Yen)** | | | |
| **Rises** | | | |
| Denso | 2790 | + | 70 |
| Kirin Brwry | 1040 | + | 47 |
| Seiyu | 775 | + | 35 |
| **Falls** | | | |
| Ajinomoto | 1080 | − | 50 |
| Bridgestone | 2780 | − | 90 |
| Toyo Seikan | 2080 | − | 60 |
| **HONG KONG (HK$)** | | | |
| **Rises** | | | |
| China Mtr Bus | 76 | + | 3.50 |
| Varitronix | 11.90 | + | 0.50 |
| **Falls** | | | |
| Amoy Props | 7.70 | − | 0.25 |
| Chen Hsong | 4.10 | − | 0.23 |
| Henderson Inv | 8.65 | − | 0.35 |
| Shaw Bros | 8 | − | 0.10 |
| **BANGKOK (Baht)** | | | |
| **Rises** | | | |
| Electric Gen | 60.00 | + | 5.00 |
| PTT Exp & Prod | 360.00 | + | 30.00 |
| United Motor | 37.75 | + | 3.25 |
| **Falls** | | | |
| Amarin Prtg | 22.50 | − | 2.50 |
| Power-P Co | 67.50 | − | 7.50 |
| Srithai Suprw | 58.50 | − | 6.50 |

New York & Toronto prices at 12.30.

# BA to confront Brussels

## Airline attacks 'sloppy research' over proposed American link

By Michael Skapinker, Aerospace Correspondent

British Airways will today tell the European Commission that its objections to the proposed BA-American Airlines alliance are based on sloppy research and a discriminatory attitude towards the UK carrier.

BA's comments are contained in a formal response to a draft proposal from Brussels, which said the alliance should go ahead only if the two airlines give up 353 weekly take-off and landing slots at London's Heathrow airport.

The Commission told the two airlines to submit their responses by today so that it could consult more widely with airlines and EU member states. American will also submit its response to the Commission today.

The airlines' planned alliance, announced in June last year, provides for extensive co-operation on flight schedules and the setting of fares. The proposed link-up has been criticised by other large US airlines and by several European carriers because BA and American would control more than 60 per cent of flights between the UK and the US.

Stephan Egli, vice-president of Delta Air Lines of the US, this week called for the Commission to be even tougher, saying other carriers would find it difficult to compete unless BA and American gave up more than 353 weekly slots.

BA is expected to tell Brussels that much of its research on the airline's market position appears muddled. Some of the Commission's market share figures include passengers whose journeys begin and end in the UK, while others include customers who begin their trips in other countries, such as Germany, but change aircraft in London.

BA will also object to a statement in the Commission's document that says it will take the UK's geographical position into account and that its analysis of the proposed alliance does not mean it will judge other US-European airline partnerships in the same way. Industry observers say BA fears the Commission added this statement to encourage other member states to condemn the proposed alliance without fear that their own airline partnerships might be treated the same when Brussels scrutinises them.

Other airline link-ups – such as the Star Alliance, led by Lufthansa of Germany and United Airlines of the US and the partnership between Delta, Austrian Airlines, Swissair and Sabena of Belgium – are also being investigated by the Commission.

BA is expected to tell Brussels it is losing business to the Star Alliance, which began operating before receiving the Commission's approval.

# C&W to be kept out of Chinese telecom offering

By Alan Cane in London

The Chinese government is hoping next month to sell off 25 per cent of China Telecom (Hong Kong), expected to be the main vehicle for Cable and Wireless's expansion plans in mainland China.

However, C&W, the UK group, will not be invited to take part in the float.

C&W shrugged off the apparent setback to its Chinese ambitions. Robert Lerwill, chief financial officer, said: "We will not be disappointed if we do not end up participating this time round."

He said the company had other options for expansion on the Chinese mainland. No agreement had been reached on a value for CT(HK), which is a new venture into which China plans to contribute some assets.

It is believed the Chinese authorities value CT(HK) at about US$8bn and will be looking to raise $2bn by selling a 25 per cent stake. Fifteen per cent will be floated on the Hong Kong stock exchange and 10 per cent will be offered to a small number of overseas investors.

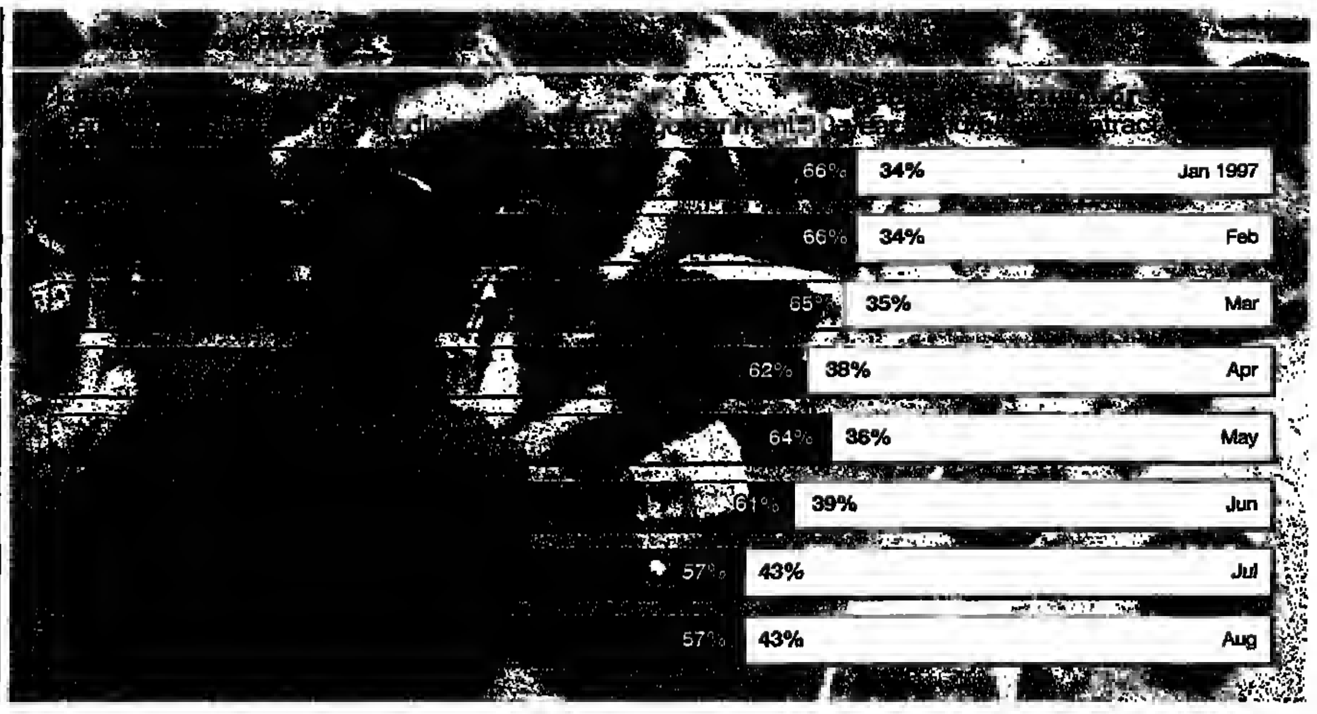
The prospective offering seems designed to raise cash quickly for development purposes. Wu Jichuan, the Chinese minister of posts and telecommunications, said last week: "The listing in Hong Kong is a capital raising exercise. We are raising capital to accelerate our development."

He made it clear that investment alone would not confer operating privileges.

C&W's potential involvement in CT(HK) is the consequence of a ground-breaking deal struck in June through which the UK group sold a 5.5 per cent stake in Hongkong Telecom, the most profitable member of the group, to China Telecom, a unit of China's Ministry of Posts and Telecommunications. In exchange, it was given the opportunity to expand in China, potentially the world's largest telecoms market, through a complex series of share swaps.

The outline agreement envisaged C&W reducing its remaining 54 per cent holding in HKT so that it and China Telecom held 30 per cent each. C&W would then become the principal investor in CT(HK).

Its investment would be paid for with HKT shares and C&W is determined to get the full price for its most valuable asset. It is thought that China has transferred to CT(HK) two or three mainland mobile phone companies.




# Exchanges struggle with costs

## The futures industry faces up to intense competition

By Edward Luce and Nikki Tait

The decision this week by Liffe – the London International Financial Futures and Options Exchange – to review the link-up with its two Chicago-based counterparts has revived doubts about the effectiveness of Liffe's open outcry trading system.

Coming so soon after Lloyds-TSB, the British bank, announced it was closing down its 42-strong Liffe trading team last week, the move has reinforced concern about Liffe's international competitiveness. The timing has been made worse by the fact the Deutsche Terminbörse, Liffe's Frankfurt-based rival, appears to be winning market share in the key 10-year German government bond future.

The DTB – which unlike Liffe operates a purely electronic trading system – has not yet reached a 50 per cent market share in the long-bund future. But officials there say they expect to overtake Liffe in this contract by the end of the year. This would put the DTB in a strong position to establish the benchmark for trading in the 10-year euro-denominated bond future after European monetary union takes place in 1999.

"Things are not exactly going swimmingly for Liffe," said one futures analyst in London yesterday. "But it would be an exaggeration to say that it is losing the war."

Lloyds-TSB yesterday said it expected to execute as many trades on Liffe as in the past, but the deals would be carried out by "specialist houses" rather than Lloyds employees.

"We are not planning to shift any of our business to the DTB or elsewhere," said a Lloyds official. "Our decision was purely based on a calculation about overheads."

The decision to review the link with Chicago, however, is less easily explained away. Both Liffe and the two exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange, have been re-examining open-outcry after-hours trading in each others' contracts.

"We are exploring new electronic link-ups with Chicago," said Richard Pratt, head of external affairs at Liffe.

The fact, however, that it is the open outcry element of the link which is under question detracts somewhat from Liffe's restated commitment to the pit trading system last month. DTB says it has a strong cost advantage from the electronic system.

Liffe has responded to the DTB challenge with plans to invest more than £100m ($160m) in upgrading its "electronic back-up" services as well as introducing a more sophisticated after-hours electronic trading system.

Liffe's counterparts across the Atlantic are having similar debates over the future of open outcry and its costs. For the moment, both exchanges remain committed to open outcry during daytime trading hours, arguing that the presence of "locals" – individual pit traders who add liquidity to the market – makes the system a "proven success". Electronic trading is confined to after-hours business.

But wider issues of cost are also prompting a shake-out in the Chicago industry. Citibank sold its clearing operations to ABN-Amro Chicago Corp, part of the Dutch-based banking group, in 1996. More recently, Morgan Stanley, Dean Witter Discover announced that it would shut down its grain future trading operation, with some employees moving to Indosuez Carr Futures. In July, Chase Manhattan wound back its execution services in Chicago.

Both Chicago exchanges admit that competition is intense and acknowledge that there is an acute need to respond to members' cost-requirements.

"We're very aware that (member) firms are trying to create efficiencies, and are doing everything we can to help," says the Chicago Board of Trade. Cost considerations have even revived talk of a full merger between the CBOT and the CME, a move which Jack Sandner, the CME's chairman, claims could save around $100m annually.

"What is going on worldwide is a consolidation of the futures industry," said Richard Sandor, second vice-chairman at the CBOT.

The departure of particular firms, he added, would not necessarily have implications for trading volumes, nor any bearing on the debate over the relative merits of open outcry versus electronic trading. "I don't think that's the issue," he said. "The issue is economies of scale."

# Tyson to acquire food rival Hudson in $650m deal

By Nikki Tait in Chicago

Tyson Foods, the large Arkansas-based poultry group, yesterday announced it would acquire Hudson Foods, the rival meat and poultry producer which last month was forced into the US's largest ever recall of ground beef, after E. coli bacteria was found in hamburgers made from its product.

The two companies have agreed to a cash and shares swap which values Hudson at about $650m.

"Red" Hudson, chairman of Hudson Foods and the company's 73-year-old founder, said that Tyson had "made us a very good offer". He had "decided it is in the best interest of shareholders, associates and growers and customers to accept". The Hudson family still has a substantial holding in the company and is estimated to receive more than $300m from the deal.

However, both companies fell short of attributing the deal directly to the recent recall, which involved 25m pounds of ground beef. Tyson said that the two companies – both based in northern Arkansas – had "talked about what the companies would look like together" several times in recent years.

Analysts interpreted the deal as a timely and shrewd decision by Tyson which would probably be better able to restore Hudson's customer base, and achieve cost-savings.

Tyson is the largest integrated poultry producer in the US with about 22 per cent of the domestic market. Hudson – which ranks number three in the industry after Tyson and ConAgra – has about 5 per cent. The combined company would have annual sales of about $8bn.

Tyson said it did not anticipate antitrust problems.

Hudson has agreed to sell the Nebraska plant, which produced the contaminated beef, to IBP, another big food company.

Tyson said it was too early to determine whether it would retain other Hudson's non-poultry assets – which include eggs, turkey and portioned meat – or its brand-name. Both companies are big suppliers to Wal-Mart, also headquartered in Arkansas.

# FT to increase bonds data

By Martin Dickson, Financial Editor

The Financial Times is today substantially broadening the scope of the fixed-income statistical data displayed daily on our International Capital Markets page. The improvements, which reflect changing investor needs, involve:

- Widening our government bonds data to cover more markets and a wider range of maturities.
- A table of 10-year benchmark government bond spreads, measured against both German Bunds and US Treasuries.
- A table of benchmark emerging market government bonds, broken down by geographical region and including Brady bonds.
- A table of benchmark investment grade US corporate bonds, broken down by sector, with a separate section on high-yield debt.
- A table of benchmark Eurobonds, categorised by currencies. This streamlined overview of the Eurobond markets replaces the FT/ISMA International Bond Service table.
- Broadening our futures and options coverage to include the Deutsche Terminbörse Bobl medium-term German government bond futures contract.

Evaluated prices for our benchmark government bonds and other new features are being provided by Interactive Data/Financial Times Information, which, like the FT, is part of the Pearson group.

Updated each business day, evaluated prices reflect a consensus view of the market. Analysts monitor the global bond markets throughout the trading day and use market spread inputs and theoretical cash flow computer models to produce prices. More information is available from Financial Times. Information on +44-171-825-8000.

International capital markets, page 18

# ABN Amro raises London operation

By Gordon Cramb in Amsterdam

ABN Amro, the largest Dutch bank, plans to make London a centre for its worldwide asset management activities, putting it on to an equal footing with Amsterdam.

It has recruited Tom Cross Brown, a long-time Lazard banker, to head the London end of the unit and be in global charge of its business development. ABN Amro has Fl 144bn ($70bn) of funds under management, of which Fl 79bn are outside the Netherlands.

The bank, which owns the stockbroker Hoare Govett, last year increased its UK presence with the purchase of Carrington Pembroke and Causeway, two fund managers. These and Hoare Govett's Broadgate investment management offshoot will be overseen by the reorganised ABN Amro Asset Management (AAAM) unit.

According to an internal memorandum obtained by the Financial Times, "AAAM has in principle left the acquisition trail, and the emphasis will lie on autonomous growth." But it adds: "The London end in particular will need to undergo strong growth as far as matters like the number of staff, scale of activities and funds managed are concerned."

ABN Amro has some 850 asset managers in 24 countries, of whom about 250 are in Amsterdam and 45 in London. Some 20 professionals a year are to be added to the UK staff, Jules Prast, a vice-president, confirmed yesterday.

A new "global asset management directorate" is to be headed by Jaap Vieret, currently responsible for its Dutch activities in the sector. He takes over responsibilities until now held by Jan Vroegop, who is retiring. In addition to Mr Cross Brown, who was chief executive of Lazard Brothers Asset Management, ABN Amro is looking for a chief investment officer.

The bank said the movea reflected its wish to have head office functions carried out in the most appropriate locations. For example, its private banking division is run from Zurich.

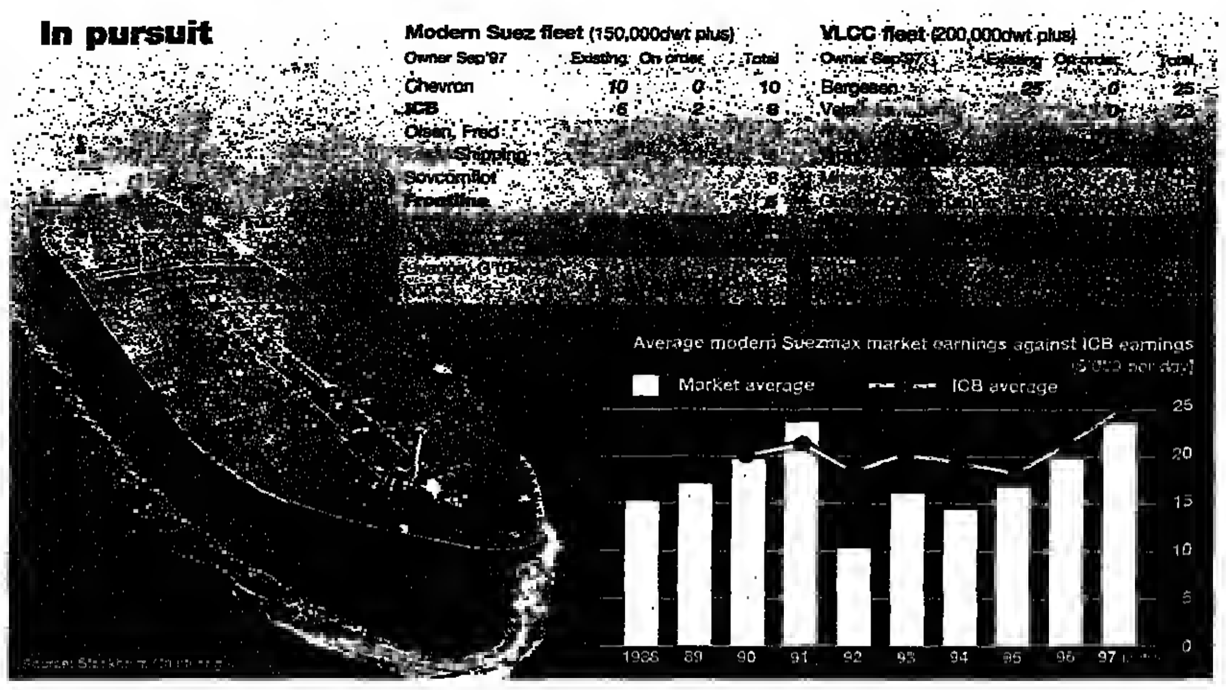
"The London location will grow much faster than Amsterdam - it is a recipe we have used before," said Mr Prast.

"We used London as a jumping board for corporate finance, deciding to move only a few people there but let it grow very fast. That will happen in this case as well", he said.

He said acquisitions in asset management would be considered only if the opportunity was exceptional. "The general problem is the price you pay."

# ICB sets up its defences

## The Swedish tanker group vows to repel Frontline's raiders




Every time Ola Lorentzon downloads his computer, the screen reverts to a cartoon shark swimming through a shoal of fish.

The chief executive of ICB Shipping, one of Sweden's largest tanker operators, says his company is being stalked by a similarly dangerous predator in the shape of Frontline, its Bermuda-based rival, formerly based in Stockholm.

Frontline, quoted in Oslo, this week put ICB firmly in its sights by launching a SKr3.12bn ($340m) hostile takeover bid aimed at creating one of the world's largest independent tanker fleets.

The company – acquired last year by Norwegian shipping entrepreneur John Fredriksen for $455m – has justified the bid by pointing to merger cost savings and the tax benefits of being registered outside Sweden, where shipowners receive few fiscal concessions.

Mr Tom Jebsen, Frontline chief financial officer, claims tha enlarged group – with 44 vessels – would also enhance its earnings potential through increased purchasing power and improved marketing and could better exploit the cyclical upturn in chartering rates.

"There is pressure to consolidate in this industry because it is too fragmented at present; the big oil companies can play small shipowners off against each other to get the best [charter] price," he says.

ICB rejects this argument outright. Mr Lorentzon maintains size alone would not deliver the profits forecast by Frontline. Moreover, he accuses ICB's rival of trying to snatch control just when the tanker market is on the verge of recovery.

The two companies, however, are agreed on one point: the world tanker market is moving in the right direction after almost five years of recession.

Rising cargo volumes and the scrapping of older vessels have combined to increase customer demand just as capacity is levelling off. That has helped lift charter rates for Suezmax tankers from historic lows of $16,000 a day in 1994 to $30,000 a day.

Sjöfartens, the Scandinavian shipping analysts, predict these rates could double again by the turn of the century. Given that mouthwatering prospect, it is easy to see why Frontline wants to snap up ICB – particularly given its relatively modern fleet and low operating costs.

But while Frontline claims 35 per cent of ICB's shareholders have welcomed its approach, the price remains a sticking point for ICB's founders, who still control a large proportion of the voting A shares.

They are unlikely to give their consent at the 3-for-1 share offer, with a cash alternative of SKr115. At Frontline's share price of NKr35.40 yesterday, the paper offer values ICB shares at SKr101. ICB's most-traded B shares closed down SKr0.50 at SKr110.

Describing Frontline's offer as derisory and opportunistic, Mr Lorentzon says profitability in the tanker industry depends more on service and fleet efficiency than critical mass.

"Frontline can see we are one of the most profitable companies in the sector," he says. "But just because they want the most beautiful girl around, it doesn't mean she wants to dance."

Nevertheless, industry analysts believe Frontline could still capture ICB if it opted for a cash offer rather than issuing paper.

"The problem for Frontline is that they are trying to swap their overvalued paper for ICB's undervalued stock," says one analyst. "That looks good for their investors in Oslo, but not for anyone else."

A number of institutional investors have also expressed misgivings over the financial performance of Frontline measured against ICB. Last year, Frontline incurred a pre-tax loss of SKr97m on sales of SKr1.22bn; ICB made profits of SKr287m on sales of SKr781m.

ICB was able to maintain profits because it shrewdly fixed its charter rates for five years on the eve of the recession. Some rivals lost up to SKr1bn during tha downturn, while others sank without trace.

Mr Jabsen at Frontline, however, says the profit comparison is unrepresentative as it reflects the period before Mr Fredriksen reversed his shipping operations into the one-time Swedish group. In the six months to June 30, Frontline reported profits of SKr13m on sales of SKr900m, and it is promising better things.

Acquiring ICB, analysts agree, would enhance those earnings. But questions remain whether Frontline can fund the kind of cash offer some believe is necessary to make certain of its bid. It has already announced a 21m share placing to fund the cash alternative, and some investors might blanch at the prospect of further dilution.

Mr Lorentzon, who denies that the bid reflects vulnerability among Swedish ship owners, remains quietly confident he can repel borders.

"This is a transparent business and we can see this is a better quality company than Frontline," he adds. "That proves you don't have to be huge to stay afloat."

**Tim Burt**



# Cockerill eyes alliance talks

By Neil Buckley in Brussels

Cockerill Sambre, Europe's fifth biggest steelmaker, said yesterday it might begin talks early next year with potential partners to reinforce its position in the rapidly consolidating European industry.

The Belgian group yesterday reported a return to the black, with first-half net profits of BFr748m ($19.9m) against a BFr180m loss last year.

Jean Gandois, chairman, said Cockerill Sambre could prosper on its own "for another few years", but added: "I retire in two years and I will feel happier if I don't leave Cockerill Sambre all alone."

He said recent tie-ups, such as Germany's Thyssen with Krupp Hoesch, and Luxembourg's Arbed with Spain's CSI, left Cockerill Sambre "fifth equal" with Hoogovens of the Netherlands in terms of output. It trailed three "very big companies" – Thyssen Krupp, Arbed and Usinor – and one "big company" – British Steel.

Cockerill would complete a year-long strategic review in December, Mr Gandois said, and decide then on appropriate partners.

But he warned that management's wishes had to be reconciled with those of Cockerill's dominant shareholder – the region of Wallonia, Belgium's French-speaking area – which controls 78.7 per cent. Analysts warn that the regional government's social concerns, particularly the need to avoid job losses, could complicate plans for an alliance.

Cockerill is already set to lose 2,000 of its 10,000-strong workforce in a restructuring aimed at knocking BFr10bn off annual costs.

Mr Gandois said strong first-half demand had led to good capacity utilisation, although sales prices still averaged 3-4 per cent lower than in the first half of 1996.

# Acquisitive Ahold advances 71%

By Gordon Cramb

Ahold, the Dutch supermarkets group, yesterday reported a 71 per cent leap in second-quarter net profits to Fl 207.4m ($101.2m), and said it was on the lookout for further US acquisitions.

Sales in the 12-week period rose 48.6 per cent to Fl 11.6bn, reflecting the inclusion of Stop & Shop, a chain in the north-eastern part of the US, after its $1.8bn takeover concluded last July.

Even if Stop & Shop had been consolidated in the second quarter of 1996, revenues would have been up 19.9 per cent, Ahold said.

The group stuck to its forecast of 30 to 45 per cent full-year profit growth from the Fl 632m recorded in 1996. Earnings per share would be ahead by a more muted 12 to 20 per cent because of the equity issued to fund last year's purchase. Some analysts thought the projections conservative.

Mr Cees van der Hoeven, president, said yesterday: "These forecasts do not completely take into account the positive effects of the higher US dollar."

In the US, it was developing private label products while integrating operating systems.

"More than ever before, we are positioned to add valua immediately for new acquisitions," he said. "We remain alert to new acquisition possibilities and see plenty of opportunities."

Ahold, with over 3,000 stores worldwide, intends opening more hypermarkets selling clothing and appliances as well as food and other provisions.

From first-half earnings of 84 Dutch cents a share, up from 67 cents, the group is paying an interim dividend of 21 cents, against a previous 17 cents.

EUROPEAN NEWS DIGEST

# Carrefour falls 34% midway

Shares in Carrefour, the French retail group, dropped yesterday after it reported net income for the six months to June 30 down 34 per cent to FFr1.4bn ($229m). The figures were significantly below a number of analysts' expectations, helping to push the shares down 7.4 per cent to close at FFr3.675, while the CAC 40 index of leading quoted companies closed up slightly at 0.31 per cent.

Daniel Bernard, chairman, highlighted a "contrasted environment" for its hypermarkets around the world with a weak performance in Argentina and lower consumer spending in France and the Asian markets, which had suffered in the wake of the currency crisis. Sales rose 9.2 per cent to FFr79bn during the period, equivalent to a 6 per cent rise at constant exchange rates. The rise in the dollar had contributed FFr54m, but he warned that this was offset by a drop in consumer spending.

Mr Bernard would not comment on the details of the shake-up in French retailing triggered this week by the purchase of the supermarket chains Franprix and Leader Price by Casino, and the hostile bid launched by Promodès for Casino and Rallye. However, he indicated that the price paid for the two supermarkets – FFr2.8bn in cash, FFr700m in debt and options to acquire full control for a further FFr1bn – was more than he had been willing to pay.

*Andrew Jack, Paris*

■ VEREINSBANK

## Hypo-Bank holders urged over bid

Bayerische Vereinsbank yesterday stepped up its campaign to persuada shareholders in Bayerische Hypotheken-und Wechsel Bank to accept the terms of their agreed merger, announced in July. It said it was confident that its share exchange offer would be successful, but warned that the deal's failure could strengthen foreign investors' prejudices against Germany as a financial and business centre. "For many international investors, this is a test of whether the German economy is capable of reform," said Albrecht Schmidt, Vereinsbank chairman.

Vereinsbank is offering one share in Allianz insurance – to come from its portfolio – for six of Hypo-Bank. The DM8bn ($4.4bn) transaction is aimed at obtaining at least 40 per cent of Hypo-Bank. This is the first stage in the agreed merger, to create Germany's second largest bank, and the offer closes on September 10.

*Andrew Fisher, Frankfurt*

■ OIL COMPANIES

## Elf follows Total rise

Elf Aquitaine, France's biggest oil group, yesterday unveiled a 48 per cent advance, from FFr3.56bn to FFr5.26bn ($859.6m), in first-half net income, spurred partly by higher oil prices and beneficial exchange rate movements. The rate of increase was marginally slower than the 51 per cent improvement at Total, its smaller rival, which this week reported net income of FFr3.98bn.

The Elf figure includes FFr342m gains from the disposal of financial interests. Excluding these, net income would have amounted to FFr4.92bn – an increase of 38 per cent. Taken together, these figures from the country's two largest oil companies have got what is expected to be a buoyant French results season off to a positive start.

Elf shares closed ahead FFr29, or 4 per cent, at FFr760 on the Paris stock market, against an advance of just 0.3 per cent for the benchmark CAC 40 index. Total shares also gained ground, climbing FFr10, or 1.6 per cent, to FFr636.

*David Owen, Paris*

■ BULL

## Board appoints new chairman

An executive of Suez-Lyonnaise des Eaux, the French utilities group, was yesterday appointed as the new chairman of Bull, the computer group privatised after heavy restructuring this year. The Bull board yesterday approved the candidature of Guy de Panafieu, the second-ranking executive board member at Suez-Lyonnaise.

Mr de Panafieu will replace Jean-Marie Descarpentries, the dynamic chairman who turned Bull round and decided to resign in June in a move believed to have been motivated by personal reasons. Mr de Panafieu said yesterday that the group needed to lift its performance, which he argued was more a function of "development" than of cost-cutting. He said that Bull needed to reinforce its position as the European leader in information systems. Mr de Panafieu, who was previously managing director of Lyonnaise des Eaux, acknowledged that the merger had reduced his chances of taking charge of the combined group. "I am not bitter about it, but my prospects changed. I happy to take on a new challenge," he said.

*Andrew Jack*

■ ENERGY

## Neste in Borealis talks

Neste, the partly privatised Finnish energy group, yesterday declined to comment on a report that Austria's OMV would buy half its 50 per cent stake in Borealis, a petrochemicals and plastics venture with Statoil of Norway. An Austrian magazine said OMV was planning to buy 25 per cent of Denmark-based Borealis for Sch4.5bn ($352.2m). Neste confirmed it was in talks with potential buyers but would not reveal how advanced negotiations were. Borealis made pre-tax profits of DKr870m ($125.7m) last year on sales of SKr15.9bn.

*Greg McIvor, Stockholm*

■ FINLAND

## Wärtsila NSD extends venture

Wärtsila NSD, the diesel-engine subsidiary of Finland's Metra group, is to extend its two-year-old joint venture with Cummins, the US diesel engine maker. The move will lift the venture's annual sales from FM300m-FM400m to FM1.2bn ($220m).

*Greg McIvor*

# Brierley to hold Fairfax stake

By Terry Hall in Wellington

The Australian fedaral government's refnsal to relax media ownership rules would not change Brierley Investments' plans to increase its stake in John Fairfax Holdings, the publisher, from the present 23 per cent, Bob Matthew, BIL chairman, said yesterday.

There had been speculation that BIL, which bought a 23 per cent stake in John Fairfax last November, intended to sell the holding on, possibly to Kerry Packer, the media magnate.

Fairfax owns several Australian newspapers, including the Sydney Morning Herald, the Financial Review and the Melbourne Age.

Mr Matthew, speaking as the group posted flat annual results, said: "We expect to enhance our returns from the Fairfax investment and intend to remain a shareholder long term."

Mr Matthew said BIL was not attracted to Fairfax by the "quaint notion" that increased values would flow from regulatory changes in the Australian media industry. "I hopa none of you would believe we would spend NZ$577m (US$366m) on that basis."

Howaver, he said ha believed the Australian government could have relaxed foreign ownership rules to allow BIL to increasa its stake above the 25 per cent limit. "We will pursue any avenues to increase our shareholding."

BIL announced flat profits of NZ$311m for the year to June 30. Paul Collins, chief executive, said the result was due to tha company's decision not to sell certain investments which were valued at significantly more than book value but offered substantial value growth.

At June 30, the company's listed investments, including a controlling stake in Thistla Hotels, reflected an unrealised surplus on book values of NZ$623m, compared with NZ$156m a year earlier.

Mr Collins described the response to last year's relisting of Thistle Hotels in the UK as "disappointing", but said tha decision to cut its holding to 46 per cent had substantially strengthened the balance sheet.

Thistle, whose shares yesterday stood at 126p compared with a flotation price of 170p, saw profits rise 55 per cent to £36m ($57m) last year.

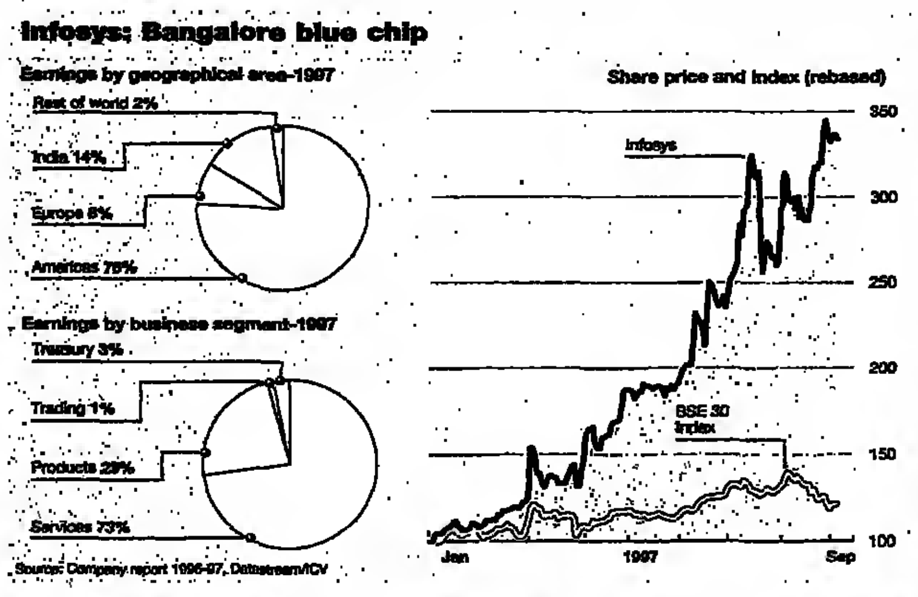
Other big investments included the acquisition by its associate, Air New Zealand, of a 50 per cent stake in Ansett Holdings for NZ$540m; the purchase of a 25 per cent stake in North Island forests; and the restructuring of the Union Shipping Group.

Trading profits rose by NZ$36m to NZ$336m. Equity accounting of James Hardie, the Australian building group, and John Fairfax contributed NZ$64m. Sky City, the Auckland casino which was the only new gambling venture in Australasia to meet its prospectus targets, made a maiden full-year contribution of NZ$48m, while the investment in North Island Forests returned NZ$15m. These were offset by a NZ$46m loss from the Australian Vox retail chain and a NZ$31m contribution from Air New Zealand.

Investment earnings rose by NZ$61m to NZ$256m. These included increasad dividend income of NZ$98m, against NZ$36m, a NZ$91m profit from the flotation of Weeks Royalty in Australia, and NZ$52m from the sale of Union Shipping's Australian operations.

# US listing to keep Infosys a step ahead

Infosys: Bangalore blue chip




Source: Company report 1996-97, Datastream/ICV

Infosys Technologies, the fast-growing Bangalore software house, seems bent on notching up Indian corporate firsts.

Three years ago it established India's first employee stock option scheme. A year later it was India's first company to prepare accounts according to US accounting standards. This year's achievements included publishing its annual report on CD-ROM and providing India's first fully audited quarterly results.

These showed an 82 per cent rise in first-quarter profits to Rs101m ($2.8m) on turnover 73 per cent higher at Rs264m, sustaining a trajectory which has seen profits leap 68 per cent to Rs414m in the year to March 31 1997.

It is a record that – combined with Infosys' distinctly un-Indian accounting transparency and investor-friendliness, has turned Infosys into "a first-stop must-buy Indian blue chip for foreign investors", according to one Bombay analyst.

With its share price hovering about Rs1,200, not only is Infosys trading at 35 times prospective 1998 earnings in a software sector already at a high premium to the rest of the Bombay market, it also remains a "buy" for most foreign institutional investors (FIIs) in Bombay.

Bnt Infosys is aiming higher. Its next first, according to N.R. Narayana Murthy, chairman and managing director, is likely to be the issuance of an American Depository Receipt, making Infosys the first Indian software house to list on Nasdaq.

The size and timing of the issue has not been decided, he says, but hints it could be within a year, providing it is approved by India's finance ministry.

The aim of such an issue, says Mr Murthy, would be threefold. First, to raise Infosys' US profile and its corporate "brand equity". Secondly, to raise funds to finance a marketing push for its software packages. Thirdly, and most importantly, according to Mr Murthy an ADR issue would indirectly help Infosys retain its core team of software professionals.

"One way of keeping people is to offer generous stock option plans," says Mr Murthy. "To do that we must be listed on Nasdaq or the NYSE. Only then will the stock options really mean anything."

So far Infosys, India's fifth-biggest software exporter last year with overseas sales of $35m – 90 per cent in the US – has a better record of keeping staff than most. Indian software houses on average lose up to 25 per cent of their staff a year; Infosys, which has 1,700 staff, claims to lose just 13 per cent.

Nevertheless, in an industry where annual growth of more than 50 per cent a year has created fierce competition for software professionals, Infosys considers perks a priority.

"Attracting and keeping people is the single most important factor for achieving success in this industry," says N.S. Raghavan, director responsible for human resources. Through its existing share schemes and offers of low-interest consumer loans worth up to 50 per cent of salary, "the whole plan is to create assets in the hands of our employees", he says.

Infosys can boast a fair record. Started 16 years ago by Mr Murthy and six software engineers with an initial investment of $300, Infosys today has 40 dollar millionaires on staff and 300 rupee millionaires.

The company is seeking an additional 700 staff this year alone, whila adding three new offices – in Madras, Pune and Bubaneswar – to its four existing Indian branches. The company has a wholly-owned US subsidiary, Yantra, and has six US offices and two in Europe. Each is set to expand as Infosys launches a marketing drive to increase the proportion of revenues coming from its software products, relative to the services it provides.

Sales of products – a banking software system sold in India and developing countries, a retail and warehousing system, a "millennium bug" product and a new internet-based trading system – now account for 23 per cent of revenues. Though Mr Murthy says the proportion of product sales in the revenue mix has risen "more slowly than we'd hoped", the company still aims for such sales to account for 40 per cent of turnover by 2001.

Mr Murthy sees an ADR issue partly as a means of funding an expensive marketing push for these products, and partly as a component of Infosys' broader corporate "branding". A Nasdaq listing, he says, would help to establish a reputation for the company as a global, rather than peculiarly Indian, software house.

This would differentiate Infosys from the bulk of Indian softwara houses, which are known for offering cheap data-processing or software services, rather than for selling higher-value branded prodncts.

"We need to be seen as an American company, not so much as an Indian one," he says. "If we want to survive, we need to compete in the world market and not just with other Indian players, but with the best local companies," he says.

Mr Murthy sees the company achieving earnings growth for the next two years of 55-60 per cent – a forecast backed up by the brokerages Jardine Fleming and HSBC B&K in Bombay. However, he believes growth thereafter will depend on Infosys making the transition to a "global" product company, with a greater presence both in the US and Europe.

Such progress will depend in turn on Infosys remaining a favourite with foreign investors. "That's not going to happen if we ask them to judge us by our yardsticks and norms. We have to be measured by their international benchmarks," says Mr Murthy.

So far, FIIs appear to love what they see – which, in the 116 pages of its annual report, is much more than any other Indian company is prepared to reveal.

Infosys recently took advantage of new rules permitting foreign investors to hold a combined total stake of 30 per cent in listed Indian companies, up from a previous limit of 24 per cent. FIIs piled in, and now hold more than 29 per cent of the company's stock.

**Mark Nicholson**

# Hongkong Land in mainland venture

By John Ridding in Hong Kong

Hongkong Land announced plans for a US$100m joint venture project in China, marking the biggest investment on the mainland by the property arm of the Jardine group, the UK-controlled conglomerate.

The news comes amid other moves by Jardine group companies to increase their business activities in China. Earlier this week, Ka Wah Bank, which is ultimately controlled by Beijing's flagship investment vehicle, said it was in negotiations to take a stake in Jardine Fleming Bank, a division of the conglomerate's investment banking joint venture.

The deal is intended to lead to co-operation between Jardine Fleming and Citic, the parent of Ka Wah.

Relations between China and Jardine were strained by the group's support for political reforms in Hong Kong.

However, recent months have seen reassuring statements from senior Chinese officials who have pledged equal treatment for Jardine companies.

Under the terms of yesterday's announcement, Hongkong Land will take a 40 per cent stake in the joint venture company, which is called King Kok Investment. Rodamco China, a wholly-owned subsidiary of Dutch-based Rodamco, one of the world's largest property investment funds, will also take a 40 per cent stake.

The balance will be held by Crown Pacific Development, itself a joint venture between Singapore's Temasek Holdings, Hong Leong Group and Keck Seng Group.

Robert Wong, executive director of Hongkong Land, said King Kok Investment is in the final stage of negotiation to acquire a luxury residential development in Beijing and expects to reach an agreement soon. The initial investment by the joint venture is expected to exceed US$100m.

Mr Wong said that while Hongkong Land could have made tha investment alone, the joint venture reflected its strategy of building partnerships for investment projects.

"We hope this investment is followed by others, both in China and elsewhere," he said, dismissing any political motives behind the deal. "We do not make investments for the purposa of good relations."

# PLDT hits at delay over rates proposal

By Justin Marozzi in Manila

Philippine Long Distance Telephona Company, (PLDT), the country's largest telecoms operator, has criticised the government's telephones commission for the delsy in processing the group's rata restructuring proposal.

Seven months after filing its submission for new rates – designed to compensate for declining international accounting rates at present being negotiated with AT&T, the dominant carrier – PLDT is still waiting to hear from the National Telecommunications Commission (NTC).

"It is frustrating because we filed in February with the expectation that a decision would come within three months," said Edgardo del Fonso, chief financial officer. "We then received assurances that a decision would be forthcoming in August. Unfortunately, the NTC decided to postpone and continne hearing tha opposition of certain groups."

Last week, the NTC postponed a hearing from an internet user group which is against PLDT's rate restructuring programme as it includes the introduction of metering for local calls. Another hearing will now be held on September 19, although Mr del Fonso said he did not expect a final decision before November.

"It looks lika the NTC is trying to steer clear of any controversy and allowing peopla to say what they want," Mr del Fonso added.

PLDT has asked the government for a 45 per cent increase in the basic monthly charge and a 35 per cent rise in national long-distance charges. It is also seeking a 21 per cent cut in international rates. Restructuring of tariffs is considered a priority because international calls represent 52 per cent of group revenues.

"Tariff restructuring is very important for PLDT in the longer term, given the ongoing pressure on international revenues from accounting rate reductions," said Alex Connor, analyst at Indosuez W.I. Carr Securities in Manila.

The pressure to start operating the new rates has eased recently with the weakness of the peso. PLDT calculates that for every 1 peso depreciation it will earn additional net income of 500m pesos ($15.5m).

Yesterday the peso hit another low of 32.4 to the dollar, compared with 26.4 to the dollar before the central bank succumbed to speculators.

Amid a stock market rebound yesterday, shares in PLDT leapt 8 per cent to close at 880 pesos, up from 750 pesos a week ago.

# Village Roadshow advances 26.7%

By Elizabeth Robinson in Sydney

Village Roadshow, the Australian entertainment group, is set for further expansion after an "excellent result" last year, according to Robert Kirby, chairman.

Tha group reported a 26.7 per cent rise in profits after tax and abnormals to A$60.2m (US$43.8m), at the top end of expectations. Sales rose 17.6 per cent to A$478.6m as the group opened more multiplex cinemas.

Village hopes to complete more than 75 screens worldwide by Christmas. With a further 330 scheduled for 1998 it is on track to achieve 3,000 screens by 2001.

The group has also been expanding in radio, which now contributes 28 per cent of profits. This week it spent A$100m on two Perth stations after it paid A$193m for the 48 per cent of Austereo, the radio group, that it did not already own.

Village shares closed up 6 cents at A$4 yesterday.

● Wiluna Mines, the Australian gold miner, has rejected the 65 cents a share takeover offer by Great Central Mines as "inadequate", Reuter reports from Perth. It said a fair price was not less than 95 cents a share.

Great Central, which is being part-funded by Normandy Mining, launched its bid for Wiluna on August 21, along with a hostile A$3 a share bid for Eagle Mining.

Wiluna shares closed steady at 68 cents, while Eagle Mining fell 4 cents to A$3.18.

# Output warning hits AMD stock

By Louise Kehoe in San Francisco

Advanced Micro Devices, the Silicon Valley chipmaker, surprised Wall Street with a warning that it expects to report a "small" operating loss for the current quarter.

AMD shares dropped almost 8 per cent to trade at \$35 11/16 in mid-session yesterday, down \$2 13/16 from Wednesday's close.

Financial analysts had been forecasting profits for the current quarter, ending September 28, of about 31 cents a share based on strong sales of the latest microprocessor chips.

AMD has been attempting to carve out a position in the market for microprocessor "brain chips" used in personal computers. Intel, the world's largest chipmaker, dominates this field with a market share of close to 90 per cent. However, AMD had recently won orders from eight of the world's top 20 PC manufacturers for its new "K6" chips which compete with Intel's latest Pentium MMX devices.

In a statement issued after the close of trading on Wednesday, AMD revealed that it had been unable to meet aggressive production targets for the K6 microprocessors. The company had previously said it expected to produce 1m-2m devices in the current quarter. The actual output is now expected to be only "slightly more than 1m units".

The production shortfall is a setback for AMD in winning the confidence of PC manufacturers who rely heavily upon their microprocessor suppliers for the critical components.

However, AMD's problems underline the complexities of chip manufacturing, which involves forming micro-miniature circuits on a wafer of silicon in ultra-clean conditions where a few specs of dust can disrupt output yields.

Typically, chipmakers "ramp" production of new chips over a period of months by tweaking manufacturing processes to achieve the highest possible yield of devices that meet performance specifications.

This process appears to have taken AMD longer than it had expected.

However, AMD remained optimistic that it could double production in the fourth quarter to about 2m microprocessors.

# NationsBank deal echoes Wells

As Wall Street this week digested the news of NationsBank's enormous \$15.5bn acquisition of Barnett Banks, attention turned to the last time a bank smashed the record for an acquisition with a deal predicated on sweeping cost cuts.

The parallels with Wells Fargo's hostile takeover of rival Californian bank First Interstate early last year, for \$12.31bn, seem close.

Like NationsBank, Wells faced competition from other bidders which served to push up the price. The two banks' branch networks in California overlapped closely, like the Florida offices of NationsBank and Barnett, offering the chance to close many of them while still leaving all customers with a convenient branch.

Wells was the most profitable bank in the world at the time it launched its bid, and arguably the most admired. It was in the lead over other banks in introducing new technology, allowing customers to bank on-line, and steadily replacing traditional branches with unstaffed convenient outlets in supermarkets. And its acquisition of the troubled Crocker National bank from Midland of the UK in 1986 had successfully cut costs.

On the face of it, Wells' experience since the First Interstate acquisition does not augur well for NationsBank. The market exacted a heavy retribution this year, in response to a steady trickle of news that the merger has not gone as well as planned. While bank stocks have enjoyed a strong rally, Wells' share price has dropped, from a high of \$320 to a low of \$245. During this period, Wells has twice disappointed Wall Street with quarterly earnings, and needed to publish a warning before its second quarter results.

The first sign of trouble came with Wells' first quarter results. While expense reductions were on target, already half way to the aim of an \$800m reduction in annual expenses, Paul Hazen, chairman, admitted: "Due to run-off in our loan and deposit portfolios we are not where we would like to be with respect to revenue."

In other words, the new company had not retained as many First Interstate customers as hoped.

The really bad news came in July. The problem now was that integrating the two banks was proving more expensive than expected. Operating losses of \$180m for the quarter were reported, thanks to "one-time, unexpected expenses resulting from the resolution of various operational and back-office issues related to the First Interstate integration, including clearing accounts with other banks".

These problems had led to bad publicity, and complaints from customers, while rival smaller banks launched advertising campaigns attacking Wells and proclaiming their more personalised service as an advantage. Job cuts, with the combined workforce reduced by 23.5 per cent, have added to the bad publicity.

Mr Hazen admitted that in some cases customers' deposits were incorrectly posted, with cheques not properly added to the right account. Wells credited the affected customers, but often could not track down the money.

"This research has been slow and difficult, and in many cases we have been unable to locate the account to which the deposit was incorrectly posted and recover the money," Mr Hazen said.

But the company remains confident that the merger will eventually deliver benefits for shareholders. It says it still expects to meet its targets for extra revenue and that its customer base is still growing in California, which accounted for all its accounts before the merger. It has lost First Interstate accounts only outside the state, where it had no franchise before.

Analysts are divided over the future for the stock. Some dismiss it as "dead money," with many apparently feeling betrayed. Others suggest there has been an over-reaction.

Tom Brown, banking analyst with Donaldson Lufkin & Jenrette, suggests that the market was too optimistic when the merger was announced, and is too pessimistic now. He said: "I think Wall Street has a history of carrying things to extremes. It includes overly optimistic views on the top, and overly pessimistic views after this near-term disappointment. I would argue that the share price is now very attractive based on this excessive discounting."

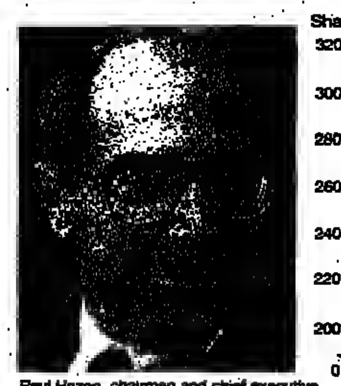
Tom Hanley, a veteran banking analyst at UBS Securities, was also encouraging: "I would buy at this level. I've been very sceptical over the past several years about the Wells story, but they have a strong franchise and that will support the stock."

Mr Hanley suggested that Wells' problems might not apply directly to NationsBank, which intends to cut away more than half of Barnett's expense base.

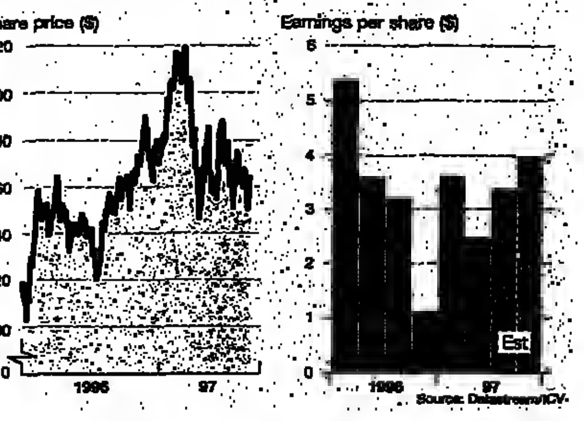
"With the Wells deal, the bank it was buying happened to be much the same size. It was always questionable how long it would take to get those cost savings. This is a completely different thing."

**John Authers**

Wells Fargo



Paul Hazen, chairman and chief executive




# AmexCo licenses Czech bank

By John Authers in New York

American Express, the US financial services group, yesterday extended its banking network into eastern Europe with the announcement that Komercni Banka of the Czech Republic would be licensed to issue American Express cards denominated in Czech korunas.

The move continues the company's strategy of the past two years of building its distribution by allowing banks to issue its cards. This reversed its previous policy of issuing cards only by direct marketing and brought it into direct conflict with Visa and MasterCard, the largest bank credit-card associations, which had rules in several countries banning members from offering American Express.

Under the deal, Komercni, which has 349 branches in the Czech Republic, will offer the cards to its customers. It will also process billing and payments and service customers.

AmexCo said it expected the deal to increase both its total distribution and the number of Czech merchants who accept the card. A card denominated in US dollars will continue to be offered directly to Czechs by American Express.

AmexCo said: "Our strategy is to go into a specific geographic region and license a partner, which is generally one of the best-established card issuers in the market." However, it added that it would not necessarily use this franchising system in all markets.

Banks now offer the card in five central American countries, Croatia, Greece, Ireland, Portugal, Israel, South Korea, South Africa, Turkey and Venezuela. The company said it intended to announce several more such deals before the end of this year.

AMERICAS NEWS DIGEST

## The Hartford in Singapore deal

The Hartford Financial Services Group, one of the largest US insurers, yesterday extended the trend for US insurers expanding internationally, taking a 49 per cent stake in The People's Insurance of Singapore. The Hartford, which already has operations in the UK, Spain, the Netherlands and Latin America, said it was paying about \$20m in cash for its stake in the company, which is currently a 99.6 per cent owned subsidiary of Hwa Hong of Singapore.

Under the deal it will offer expertise in marketing, management information systems and product development. It said the deal would concentrate on People's Insurance's core businesses of motor and construction insurance. John Donahue, president of Hartford's international financial services group, said the deal would expand the company's presence in south-east Asia, which it intends to expand further.

Several US insurers are attempting to expand internationally, particularly in south-east Asia where the market is far less developed than in the US. Growth in new premiums has been sluggish for several years in the US, and many analysts regard the market as mature. International expansion appears to offer a stronger chance of growing revenues.

*John Authers, New York*

■ OIL AND GAS

## Pioneer agrees bid for Chauvco

Pioneer Natural Resources, the US oil and gas producer, has made a friendly C\$1.3bn (US\$942m) bid for Chauvco Resources, a Canadian producer with holdings in western Canada and Argentina. The stock-swap offer represents a 21 per cent premium on Chauvco's closing share price on Wednesday. Pioneer will also assume C\$220m in debt. Chauvco's holdings in Gabon and its 20 per cent stake in the proposed C\$3.6bn trans-American Alliance Pipeline were not included in the deal.

Chauvco's largest shareholders have supported the transaction and Pioneer said it had locked up about 48 per cent of the Canadian producer's stock. Chauvco earned C\$19m on revenue of C\$123m during the first half of this year. The company produces about 118m cu ft a day of natural gas and 19,600 barrels a day of oil and liquids, and ranked as the 35th largest Canadian producer in 1996. Pioneer evolved from natural gas producer Mesa, founded by legendary corporate raider T. Boone Pickens. The takeover would give Pioneer additional reserves of about 150m barrels of oil equivalent, making the firm one of the largest independent producers in the US. Pioneer has proven reserves of 484m barrels of oil equivalent.

*Scott Morrison, Vancouver*

■ COLOMBIA

## Invercredito bought for \$93m

Spanish-based Banco Santander yesterday bought the Colombian commercial loans company, Invercredito, for \$93m yesterday. The purchase continues a recent spate of acquisitions by foreign and domestic banking groups to consolidate operations and increase their client base in a market which is increasingly dominated by a quest for size.

According to figures released by the Colombian Banking Superintendency, Invercredito had assets of \$310m at the end of June. The Spanish bank plans to merge with Invercredito, making it one of the biggest financial groups in the country. The acquisition follows Banco Santander's purchase of 55 per cent of Bancoquia for \$142m in July.

*Adam Thomson, Bogotá*

■ SOFTWARE

## Dassault Systèmes plans offering

Dassault Systèmes, the French software developer, said yesterday it planned a secondary offering of about 3.1m shares, with pricing expected to be set later this month. It said half of the shares would be offered in the US and Canada, with the balance sold outside North America. About half the shares are being offered by computer group IBM, with the rest coming from former shareholders of SolidWorks, which was merged into the company in July. The company also announced that its board of directors had approved a two-for-one stock split, which will take effect on October 14. Morgan Stanley Dean Witter and J. P. Morgan are acting as joint global co-ordinators of the offering, Société Générale is acting as co-global co-ordinator.

*AP-DJ, Suresnes*

■ VENEZUELA

## IPO by Soros real estate group

Fondos Valores Inmobiliarios (FVI), the Venezuelan real estate company controlled by financier George Soros, will launch an initial public offering in September or October, market sources said. The issue, which could be worth as much as \$120m and will include American Depositary Receipts on the New York stock exchange, is managed globally by ING Barings.

Part of the FVI strategy leading up to the IPO, analysts say, has been a management float of part of their stock in order to increase their name recognition. FVI has experienced enormous growth in recent months, buying and renting office buildings and real estate particularly in the capital Caracas. The company recently won one of its most important deals in a 15-year rental contract with the oil company Shell.

FVI is said to be emulating a similar growth strategy to that of its counterpart in Argentina, Irsa, which rents rather than sells on buildings and later invests in land acquisitions for agricultural purposes. "It's a cash machine," said one analyst.

Mr Soros owns 55 per cent of FVI, directly as well as through the Irsa and his Quantum investment fund. FVI is the fourth largest stock traded on the Caracas stock exchange. It was recently included in the Caracas stock exchange index (IBC), which is now composed of 15 shares.

*Raymond Colitt, Caracas*

# Televisa ends power struggle

By Leslie Crawford in Mexico City

The heirs and controlling shareholders of Mexico's Televisa media empire have settled a bitter power struggle unleashed by the death in April of Emilio Azcárraga Milmo, chairman and chief executive.

Emilio Azcárraga Jean, the late chairman's 29-year-old son, has consolidated his position as Televisa chief executive and controlling shareholder by acquiring equity stakes held by non-family members.

The company announced that Grupo Televicentro, the controlling shareholder of Televisa, had raised \$400m to buy out the shares owned by Paula Cussi, the third wife of the late chairman, and the Cañedo White family, who each held 10 per cent of Televicentro.

The terms of the buyout were not disclosed, but Televisa said the deal had allowed Mr Azcárraga Jean to increase his shareholding in Televicentro to 52 per cent.

Company reports show that at the end of 1996, Televicentro owned 59.7 per cent of Televisa's voting stock and 38 per cent of the aggregate equity of the \$4.5bn media conglomerate.

The stakes of other shareholders in Televicentro remain unchanged. Alejandro Burillo Azcárraga, Mr Azcárraga Jean's cousin, holds 14 per cent of Televicentro; the Alemán family owns 14 per cent, while other members of the Azcárraga family own the remaining 20 per cent.

Analysts said the announcement would have little bearing upon Televisa's finances, but that it helped clarify who was in charge of the company.

A power struggle between Mr Burillo and the Cañedo Whites following Mr Azcárraga Milmo's death all but paralysed the day-to-day running of Televisa, and the conflict appears to have been resolved with the departure of the Cañedo Whites.

Tim Baker, associate director at SBC Warburg in Mexico City, said the challenge for Televisa now was to appoint a professional chief financial officer capable of turning around the ailing media giant. The position has been vacant since Guillermo Cañedo White left the company.

The company has pledged to return the business to profitability.

Shares fall as decline in sales growth reflects absence of windfalls from building societies

# Dixons warns of trading slowdown

By Peggy Hollinger

Dixons' shares lost some of their recent sparkle yesterday, falling 14¼p to 651¼p, as Britain's largest electricals retailer revealed a sharp slowdown in current trading.

John Clare, chief executive, said sales growth had slowed from 17 per cent during the first nine weeks to 11 per cent for the first 17 weeks.

The slowdown was largely because of the absence in July and August of the windfall benefits from building society conversions into banks, rather than a fundamental slowdown in high street trading, he said.

"Consumer confidence is running fairly high and there is still a lot of windfall benefits to come through," he said. The current 11 per cent increase was "more indicative of the underlying trend in the business."

Nevertheless, the market was disappointed by his comments. Although analysts had forecast some slowdown, this was sharper than expected. "We had been looking for comparable sales growth of about 15 per cent," said one.

"The surprise is that the windfall benefits should seem to have been so transient," said another.

Some analysts edged back full-year profit forecasts from about £240m to £235m.

Mr Clare's comments also helped to knock almost 2 per cent off Kingfisher's shares, which closed 13½p down at 751¼p, reflecting fears that a high street boom fuelled by windfall benefits was beginning to peter out.

Dixons was the first retailer to offer evidence that the windfalls were being spent on the high street when it announced its 17 per cent sales advance at the beginning of July. Since then, its shares have riseo more than 40 per cent.

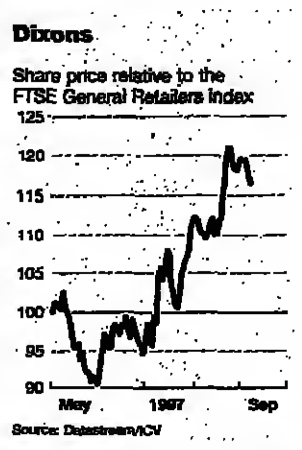
Analysts were wary of interpreting Dixons' figures as the beginning of a longer-term decline in the retail sector, however. Statistics from the Confederation of British Industry published yesterday showed that retailers in geoeral had suffered a disappointing August, the second lowest rate of growth for almost two years.

"Whether that is the trend it is far too early to say," said ooe analyst. "And certainly the weather will not have helped."

However, sales had also been depressed by reductions in the prices of computers to make way for a new range of Pentium processors. In volume terms sales were still strong and Mr Clare said he expected a strong Christmas for computers.

## LEX COMMENT

# Dixons




The Bank of England will have been cheered by yesterday's news from the high street. The much-feared windfall effect seems to be petering out: the like-for-like sales increase at Dixons, a prime beneficiary of windfall spending, has fallen to a measly 5 per cent year-on-year rate from 17 per cent in the June/July aftermath of the Halifax flotation. The point was underlined by a Confederation of British Industry survey which hints at volume weakness and suggests retailers are struggling to raise prices. For retail investors, yesterday's news will have been rather less welcome. Most of the sector has struggled this year as optimistic earnings forecasts have succumbed to downgrades. But windfall spending provided a summer fillip for companies like Kingfisher and Dixons most exposed to durable goods. Even they now look less likely to benefit from profit upgrades on the back of strong trading. With earnings so uncertain, the sector seems unlikely to recover its traditiooal 15-20 per cent premium to the market, currently about 10 per cent.

The Bank, meanwhile, has cause to remain wary: the windfall spending may have flagged, but could yet revive as Christmas approaches. And despite the recent slowdown, retail sales are still growing at a too-fast-for-comfort 5½ per cent a year. With labour markets also tight and mooey supply galloping ahead, interest rates will probably rise again – bad news for retail shares, though perhaps already discounted.

# Sema looks for US growth

By Christopher Price

A big push into the US computer services market was promised by Sema yesterday after the Anglo-French group restructured its shareholder register to meet US regulations.

Sema had been restricted in its US activities because of the involvement of Paribas, the French bank, as a shareholder. But under a restructuring approved by the US authorities on Wednesday, Paribas' stake has been consolidated at 20 per cent, with France Telecom holding 28 per cent.

"We will be looking to make acquisitions in the US for sure," said Pierre Bonelli, chief executive, adding that Sema would target computer groups serving the telecommunications market. He expected the US to account for more than 10 per cent of turnover by 2001.

His remarks came as Sema reported pre-tax profits up by a third to £26.2m ($42.7m) against £19.8m in the six months to June 30. Sales rose 31 per cent from £426.9m to £559.9m. The results were driven by a near-doubling in the telecoms business, with strong contributions from outsourcing contracts and systems integration.

The group's operations in the UK grew strongly, with sales rising 41 per cent to £235m. Mr Bonelli said the increase had been underpinned by both acquisitions and strong organic growth.

Sema has recently been awarded a large outsourcing contract with the Department of Social Security.

French turnover rose strongly, from £99.1m to £149.3m, lifted by the acquisition of Telis last December.

Mr Bonelli said the strongest demand for the group's services was in telecoms, finance, transport and the pohlic sector.

The interim dividend rises 22 per cent to 2.8p (2.3p). The shares slipped 5p to £13.95.

Mr Bonelli suggested a share split was being considered.

Pierre Bonelli

# Hillsdown sells last red meat businesses

By John Willman, Consumer Industries Editor

Hillsdown Holdings is to sell its remaining red meat businesses following a year-long strategy review by George Greener, the chief executive who joined the diversified food group in July 1996.

Mr Greener said that the sale of subsidiaries such as the Teodercut frozen meats subsidiary and Fairfax Meadow, a meat supplier, was quite well advanced. Sale of the Towers Thompson international meat trading division would follow.

The disposals, which complete the exit from the meat business begun four years ago, will leave Hillsdown free to focus on divisioos such as chilled foods, poultry and ambieot foods.

"We now know exactly what we want to do with these businesses," said Mr Greener. "We have developed detailed plans which will ensure specific targets for growth and for increasing shareholder value."

Other non-core businesses are being put on the market, and Hillsdown expects to write off £30m ($48.9m) in the year-eod results to cover their sale. These activities include Firstan; the packaging division, and Formwood, which maoufactures suspended ceilings.

The announcement came yesterday as Hillsdown published interim results which showed a near 8 per cent rise in pre-tax profits to £55.3m (£51.3m) for the six months to June 30.

Turnover was flat at £1.5bn, largely because of the impact of the strong pound. Turnover would have beeo 4.5 per cent higher at £1.6bn at 1996 exchange rates, according to Ray Mackie, finance director.

Chilled foods performed particularly strongly, with 17 per cent sales growth and 34 per cent profit growth in the UK, where Hillsdown is number four in the business. In Europe, where it is the market leader, there was profit growth of more than 10 per cent in local currencies in each major business.

Poultry came in below the same period in 1996, despite savings of £4m in feed costs. This was partly caused by restrictions on poultry producers following outbreaks of Newcastle disease, a fowl pest, and partly by higher manufacturing costs.

Earnings per share rose 3.7 per cent to 5.6p. The interim dividend is unchanged at 2.2p. The shares closed 6½p up at 169½p.

# Signet rebounds and cuts debt

By Christopher Price

Signet, the restructured jeweller, yesterday reported a 30 per ceot fall in debt and a return to the black in the half year to August 2.

The group, formerly known as Ratners, made pre-tax profits of £1.9m ($3.1m), compared with previous losses of £6m. Sales edged ahead to £371.2m (£369.6m).

James McAdam, chairman, said the decline in group debts from £306m to £214m and improving balance sheet were firm evidence of recovery. Further reductions were planned by the year-end.

The group held talks last year to sell its UK operations and has been at loggerheads with some investors urging a break-up. But Mr McAdam said yesterday it would retain all its operations.

A restructuring last July transformed all shares into ordinaries and Mr McAdam yesterday said divideod payments would probably resume oext year.

Operating profits from the US rose 16 per cent to £16m, although the rise would have been 23 per cent at constant exchange rates. Sales at real exchange rates were flat at £235m.

Signet intends to add 20 stores to its 400 existing US outlets during the second half.

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Abacus Recruit Φ | Year to June 30 | 14.4 | (6.5) | 0.8 | (0.4) | 8.3† | (3.6) | 1 | - | - | 1.5 | - |
| Abbot | 6 mths to June 30 | 72.7 | (45.2) | 7.04 | (3.47♠) | 3.51 | (2.04) | 0.8 | Nov 6 | 0.84 | - | 1.92 |
| Amec | 6 mths to June 30 | 1,284 | (1,317) | 40.2♥ | (12.1) | 11 | (1.6) | 1.75 | Jan 2 | 1.5 | - | 9 |
| Caird | 6 mths to June 30 | 9.6 | (9.9) | 2.05♥ | (7.98♥) | 56.75† | (705.3) | 5 | Nov 14 | 3 | - | 6 |
| Cairn Energy | 6 mths to June 30 | 31.9 | (16.9) | 6.49♠ | (2.51) | 1.86 | (2.71) | - | - | - | - | - |
| Cala | Year to June 30 | 107.8 | (91.9) | 7.83 | (4.21) | 12.49 | (8.7) | 2.45 | Nov 1 | 2.2 | 3.75 | 3.4 |
| Cattles | 6 mths to June 30 | 185 | (155) | 32.52♥ | (14.73) | 16.3 | (7.2) | 3.25 | Nov 3 | 2.8 | - | 8.3 |
| Church & Co. | 6 mths to June 30 | 36.3 | (36.8) | 1.37 | (1.25) | 8.4 | (7.3) | 3.5 | Oct 27 | 3.25 | - | 15.75 |
| Churchill China | 6 mths to June 30 | 28.3 | (26.6) | 2.97 | (2.71) | 19.3 | (17.3♥) | 4.9 | Oct 15 | 4.3 | - | 13 |
| Conister Trust Φ | 6 mths to June 30 | 1.28□ | (1.24) | 0.504 | (0.442) | 2.06 | (2.06) | 0.4 | Oct 1 | 0.4 | - | 2 |
| Ecclesiastical Ins | 6 mths to June 30 | 117.9 | (105.2) | 8.91 | (7.49) | - | (-) | - | - | - | - | - |
| Epic Multimedia Φ | Year to May 31 | 4.1 | (4.2) | 2.8L | (1.89L) | 11.24L† | (18.51L) | - | - | - | - | - |
| Fife Indmar | 6 mths to June 30 | 19.4 | (17.5) | 0.812 | (0.58) | 3.62 | (2.51) | 1.1 | Oct 13 | 1 | - | 3.3 |
| Fishers | 6 mths to June 30 | 21.9 | (16.8) | 1.23 | (0.879) | 0.81 | (0.61) | 0.2 | Dec 1 | 0.16 | - | 0.5 |
| Friendly Hotels | 25 wks to June 15 | 24.2 | (18.4) | 1.6 | (1.21) | 3.4 | (2.8) | 2.2 | Jan 9 | 2.2 | - | 5.7 |
| Gibbs & Dandy | 6 mths to June 30 | 17.8 | (14.2) | 0.377♠ | (0.502) | 3.3 | (4.3) | 1.6 | Oct 13 | 1.5 | - | 3.75 |
| Hillsdown | 6 mths to June 30 | 1,511 | (1,551) | 56.9♥ | (43.7♠) | 5.8 | (4.4) | 2.2 | Jan 2 | 2.2 | - | 10 |
| IAF | Year to June 30 | 8.65 | (7.95) | 1.35♠ | (2.2) | 5.98 | (12.49) | 4.5 | - | 4.5 | 7 | 7 |
| IBC | 6 mths to June 30 | 67 | (60) | 8.33 | (7.22) | 15.7 | (14.8) | 3.7 | Nov 11 | 3.3 | - | 9.3 |
| Laird | 6 mths to June 30 | 502 | (493) | 34.7 | (33.4) | 18.2 | (16.8) | 5.4✱ | Oct 27 | 4.9 | - | 13 |
| Laser-Scan | 6 mths to June 30 | 3.05 | (4) | 0.498L | (0.125) | 1.8L | (0.4) | - | - | - | - | - |
| Manders | 6 mths to June 30 | 61.64 | (74.0) | 1.16 | (2.58) | 2.03 | (8.04) | 3.1 | Nov 3 | 3.1 | - | 11.5 |
| Metsec | 6 mths to June 30 | 34.6 | (30.1) | 2.02 | (1.56) | 8.52 | (6.49) | 1.5 | Dec 1 | 1.2 | - | 4 |
| Norish ♣ | 6 mths to June 30 | 4.46 | (4.26) | 1.57 | (1.5) | 14.8 | (13.94) | 1 | Oct 7 | nil | - | nil |
| Preston N End Φ | Year to June 30 | 3.85 | (2.88) | 0.113 | (0.062) | 6.54 | (5.69) | - | - | - | - | - |
| Psion | 6 mths to June 30 | 64.4 | (53.7) | 4.05 | (8.51♠) | 3.55† | (5.88) | 0.7 | Oct 3 | 0.65 | - | 2.25 |
| Reunion Mining | 6 mths to June 30 | 2.08 | (1.84) | 0.91L | (1.09L) | 2.3L | (3.3L) | - | - | - | - | - |
| Royal Doulton | 6 mths to June 30 | 112 | (114) | 1.03♠ | (4.16) | 1.3 | (5.3) | 2.3 | Nov 4 | 2.25 | - | 9.85 |
| Scholl | 6 mths to June 30 | 97.7 | (119.4) | 15.37 | (21.91♠) | 12.6 | (31.6L) | 3.3 | Oct 16 | 3 | - | 7.7 |
| Sema | 6 mths to June 30 | 560 | (427) | 26.21 | (19.75) | 16.03† | (12.91) | 2.8 | Nov 3 | 2.3 | - | 6 |
| Senior Engineering | 6 mths to June 30 | 240 | (292) | 21.01 | (16.22) | 5.04 | (3.8) | 1.6✱ | Nov 28 | 1.44 | - | 3.82 |
| Signet | 6 mths to Aug 2 | 371 | (370) | 1.93 | (5.95L) | 39.8 | (7.3L) | - | - | - | - | - |
| Silverrnines | 6 mths to June 30 | 37.7 | (27.5) | 2.56 | (1.53) | 2.23 | (1.72) | 0.45 | Oct 1 | 0.35 | - | 1.3 |
| Steel Burrill | 6 mths to June 30 | 18.6 | (20.6) | 0.878L | (1.45) | 1.93L | (1.74) | 0.75 | Nov 6 | 0.75 | - | 1.5 |
| Swallowfield | 6 mths to June 14 | 20 | (18.3) | 1.46 | (1.31) | 7.2† | (6.4) | 3.3 | Oct 31 | 3 | - | 7.3 |
| Vardon | 6 mths to June 29■ | 43.7 | (26.6) | 5.09 | (1.98♥) | 2.8† | (1.6) | 0.8 | Nov 14 | 0.45 | - | 1.9 |
| Wembley | 6 mths to June 30 | 56.1 | (65.6) | 2.99L♠ | (7.66♠) | 10.3L | (10) | 1 | Nov 1 | nil | - | 2 |
| Wetherspoon (JD) | Year to July 31 | 139 | (100) | 17.57 | (13.1) | 43.3† | (33.6) | 6.8 | Nov 11 | 5.9 | 10 | 9 |
| Yorklyde | 6 mths to July 31 | 11.3 | (11.4) | 0.773 | (1.16) | 4.7 | (6.9) | 2.65 | Dec 1 | 2.65 | - | 6 |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Aim | 6 mths to July 31 | 107.3 | (108.4§) | 0.143 | (-) | 0.33 | (-) | - | - | - | - | 0.8 |
| Beacon | Year to June 30 ■ | 149.1 | (142.2) | 0.367 | (0.384) | 1.93 | (2.02) | 1.6 | Oct 30 | 1.6 | 1.6 | 1.6 |
| Guinness Flight | 9 mths to July 31 | - | (-) | - | (-) | - | (-) | 1.75‡‡ | Oct 3 | 1.75 | - | 7.68 |
| HSBC China ☆ | 6 mths to June 30 | 237.2 | (164.3) | 31.13♥ | (0.348L) | 60.61 | (0.64) | - | - | - | - | - |
| Latin American ☆ | 6 mths to June 30 | 336.2 | (220.9) | 0.017 | (0.036L) | 0.02 | (0.05L) | - | - | - | - | - |
| Pacific Horizon | Year to July 31 | 59.47 | (51.07) | 0.4 | (0.35) | 0.51† | (0.67) | 0.35 | Oct 30 | 0.3 | 0.35 | 0.3 |
| Perpetual European | 6 mths to June 30 | 87.8 | (73.6) | 0.271 | (0.288) | 0.7 | (0.9) | - | - | - | - | 0.45 |
| Shires Income | 3 mths to June 30 | - | (-) | - | (-) | - | (-) | 4.2 | Oct 31 | 4.1 | - | 16.8 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ♣Irish currency. ■Comparatives restated. ✱Foreign income dividend. □Net operating income. §At January 31 1997. ‡‡Third interim. ☆US currency.

# Senior is on the acquisition trail

By Charis Gresser

Senior Engineering, the specialist tubing manufacturer, is actively pursuing a nnmber of acqnisitions, largely ootside the UK.

Andrew Parrish, the new chief executive, said: "There are several projects floating around with a typical valoe of £10m to £20m." But be added that the top of the range could be abont £100m ($163m), and said he would be disappointed if the company bad not clinched a number of deals in the next year.

Most of these are likely to be in its largest division, Flexonics, which supplies to the antomotive and aerospace industries.

The news came as Senior reported a 30 per cent jump in interim pre-tax profits to £21m. Stripping out an insurance-related exceptional income of £1.5m, operating profits rose 16 per cent to £19.7m on turnover from cootinuing operations of £238.9m (£231.5m).

Operating margins rose from 7.3 to 8.4 per cent.

The figures, the first since the company disposed of its troublesome thermal engineering business, were well received in the City. The shares rose 5p to an all-time high of 158½p. Operating profits in Flexonics rose 35 per cent to £17.7m, on turnover of £162m (£150m).

Mr Parrisb said tbat altbougb there was not much growth in worldwide car volumes, only half the market bad incorporated catalytic converter systems, which Senior Engineering's products fed into.

Some 25 per cent (18 per cent) of Flexonics' sales came from aerospace.

However, the engineered products and services division, which includes precision tubing and air systems, took some shine off the figures. Operating profits almost halved to £2m on turnover of £73.1m (£83.1m). The business was beld back by the depressed German market and bad weather.

# Domestic buying lifts bonos

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

The spread of SPANISH BONOS over German bunds fell to a new low in active domestic-driven trading yesterday, the highlight of an otherwise quiet day on European bond markets. A flat opening to trading in the US kept sentiment subdued.

Analysts said the sharp narrowing of the bono/bund spread – it fell to 50 basis points before widening slightly, having stood at 136 points six months ago – reflected Spain's strong economic fundamentals, but they doubted whether it would make a sustained break below 50 points.

Ifty Islam at Deutsche Morgan Grenfell in London said the spread was "more likely to head back to 60 than to go through 50." He added that international interest in Spanish bonos had fallen in the past year and that much of the current buoyancy was led by domestic buyers.

In later trading the spread widened two ticks to 52 points. "Spain will continue to have a premium because of liquidity factors and the slight risk of Emu derailment," said Antonio Villarroya, economist at Merrill Lynch in Madrid. But he said Spain was certain to join Emu and meet the 3 per cent budget deficit target.

The September bono contract settled in London at 117.76, up 0.29, after trading as high as 117.84.

ITALIAN BTPs also firmed, on optimism about inflation and the outcome of welfare and pension reform talks, and reports of strong US buying. The December future settled at 109.26, up 0.27.

Some of the upward swing in high-yielders reflects switching out of GERMAN BUNDS into bonos on concerns about the Bundesbank's interest rate policy and German economic growth. Bunds underperformed again despite more reassuring comments from Bundesbank officials on interest rates.

New manufacturing orders rose 1 per cent in July month-on-month, which was viewed as a relief after the earlier surge in industrial production. UBS said the data supported its view that the Bundesbank should not raise interest rates this year.

The September future settled at 102.37, up 0.07, and the December future settled at 101.47, up 0.06, both in narrow ranges.

UK GILTS traded cautiously in thin volumes, continuing a recent pattern. The December contract settled at 114$\frac{25}{32}$, up just $\frac{1}{32}$. The CBI's distributive trades survey for August, a less than perfect indicator of sales trends, was weaker than expected. The market saw this as further evidence that the impact of windfall gains was easing, which would be good news on the interest rate front.

US TREASURIES held firm on the release of new economic data on July factory orders that suggested the economy will continue to experience robust growth.

By midday the benchmark 30-year Treasury bond was unchanged at 97$\frac{1}{32}$, yielding 6.596 per cent. The 10-year note was also unchanged at 98$\frac{21}{32}$, yielding 6.317 per cent.

Factory orders for July increased by 0.2 per cent, while the figure for June orders was revised upward from 1.2 per cent to 1.7 per cent. "The data confirm that business spending on plant and equipment will remain strong during the third quarter," said Elliott Platt, director of economic research at Donaldson, Lufkin & Jenrette.

Factory orders are an indicator of future manufacturing activity for three to six months out. Jobless claims for the final week in August rose by 2,000 to 326,000, on target with market expectations. Analysts await the release today of the monthly unemployment rate for August, which some expect to hold at the current 4.8 per cent.

# Looking for a break in the JGB bull run

The second straight day of declines yesterday for Japanese government bonds followed last week's milestone, when the yield on the 10-year benchmark No 182 JGB traded down to its lowest ever level of 1.985 per cent.

Ahead of the October 1 publication of the Bank of Japan's quarterly "tankan" survey of business confidence – regarded as a crucial monetary policy determinant and a central influence on the bond market – many investors are already wondering whether the JGB market's record-breaking bull run has run out of steam.

Contrary to predictions by international fund managers earlier this year that JGBs would be the "sale of the century" in 1997 in yield terms, the market has stubbornly mirrored the tone of the US market and prices have risen.

The mood in Tokyo has been of irrational pessimism, reinforced by the sluggish performance of the equity market since early August and a stream of poor economic data. Correspondingly, the yield on the benchmark JGB fell from 2.7 per cent to less than 2 per cent in the 12 weeks to Friday.

Following last week's record, however, JGB prices fell and yields rose yesterday on selling prompted by stronger than expected household spending data, which showed an annual increase of 3.2 per cent in July. The benchmark 10-year bond fell 0.26 to 106.67 and the yield rose 3.5 basis points to 2.035 per cent.

Jane Berryman, fixed income analyst at Thomson Technical Data in Tokyo, said other factors included carry-over from Wednesday's decline; a weak close for US Treasuries overnight; and a bearish turn on technicals.

The spending increase, however, "dramatically curdled the fundamental backdrop for the market," she said. "Market consensus was for a 1.1 per cent decrease. Instead we got a 3.2 per cent annual increase."

**Japanese government bonds were weaker yesterday after the release of strong household consumption figures. The yield on the benchmark 10-year bond rose in Tokyo and was unchanged in fairly quiet trading in London. Analysts said any data threatening the view that the economy was experiencing a severe slowdown would weaken bond prices.**

Most economists see the data as an aberration, given continuing weakness in vehicle sales, manufacturers' inventories and retail sales.

They note that the spending increase was largely due to poor figures in the same period last year, when spending on food items plunged due to an E-coli food poisoning outbreak.

This year's figures also showed a jump in power consumption due to unusually hot summer weather. "The increase is not concentrated in consumer goods, which would have more serious ramifications for monetary policy," Ms Berryman added.

The JGB market faces other short-term bear factors, including the approach of the interim book-closing period at the end of September, which is prompting large domestic investors to sell off securities holdings to shore up profits for their accounts. Leading commercial banks, for example, led the JGB sell-off on Wednesday.

However, Japanese equities have also suffered from cross-trading by domestic corporate investors, and further declines in the stock market are bound to benefit JGBs, say analysts.

The question is whether JGBs have entered a temporary correction phase, or whether the trend is more substantial. The answer has much to do with the Bank of Japan's current thinking on interest rates, now at a historic low of 0.5 per cent.

Several rounds of rumours this year of impending rate increases have hit JGBs. William Campbell, fixed income analyst at J.P. Morgan in Tokyo, believes the BoJ has to maintain monetary policy at current levels, given the continuing weak fundamentals and the drive toward fiscal rectitude.

"That leaves the JGB curve as one of the steepest in the G7, probably the steepest of all if EMU distortions are removed... Nominal JGB yields are paltry by any measure. But given the environment of declining prices, increasingly poor sentiment and anchored short rates – and given the lack of credible investment alternatives – the comfort of holding JGBs begins to look tempting," he said.

The market may draw additional support from the recent turmoil in Asian markets and regional currency crises. The turmoil does not bode well for Japan's manufacturers, as the region absorbs roughly 40 per cent of exports.

In summary, said Mr Campbell, "Although the JGB market will indeed, someday, be the sale of the century, for now it's clearly a case of 'caveat ventor' – seller beware."

**Gwen Robinson**

# KfW launches DM3bn floater

INTERNATIONAL BONDS

By Edward Luce

KfW, the German industrial development bank, yesterday issued its largest ever floating-rate D-Mark bond. The DM3bn deal, also the largest D-Mark floater offered by any entity barring the German government, was priced to yield 12.5 basis points below three-month Libor at re-offer.

Deutsche Morgan Grenfell, joint book-runner with Lehman Brothers, said the paper was trading at flat to reoffer last night. About two-thirds had gone to non-German investors, with European banks and central banks and European money market investors taking the lion's share, it said.

Officials added that KfW's decision to opt for floating-rate rather than fixed-rate reflected the preference of the overwhelming majority of European investors.

"The mood in the markets is still uncertain," said a banker in Frankfurt. "Nobody really knows what is going to happen to German interest rates over the next few months." He said KfW had drawn strength from the fact that it was awarded a zero risk-weighting by the German government earlier this year. This was the bank's first offering since that announcement.

Elsewhere, the WORLD BANK joined the bandwagon trundling back towards the Czech koruna with a Kč1bn one-year offering. The deal, the third in the Czech currency since it was effectively devalued earlier in the summer, was well-received by European retail investors, according to an official at ING Barings, the deal's sole book-runner.

With a coupon of 13.75 per cent – higher than coupons attached to recent three-year issues – investors were given ample incentive.

"The Czech yield curve is heavily inverted which makes a one-year offering especially attractive," said an official, adding that World Bank one-year bonds benefited from a tax advantage in Italy.

All borrowers – except for the World Bank and the European Investment Bank – pay a tax of 27.5 per cent on the coupon of one-year bonds. World Bank deals are taxed at only 12.5 per cent.

## New international bond issues

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| SMSLT 97-3, Class A1(a1)‡ | 1.45635 | (a2) | (a2) | Jul 2002 | 2.25 | +60(3m bill) | JP Morgan Securities |
| SMSLT 97-3, Class A2(a3)‡ | 1.0285 | (a4) | (a4) | Oct 2007 | 2.75 | +84(3m bill) | JP Morgan Securities |
| MMCCT 2, 97-J, Cls A(b)*‡ | 637.5 | (b1) | (b1)R | Sep 2004 | 0.30R | - | Lehman Brothers Intl |
| Meridian Funding Co(c)‡ | 302 | (c1.) | 99.90R | Jul 2002 | 0.20 | - | Merrill Lynch International |
| AIC Corp‡ | 300 | (d) | (d1)R | Oct 2002 | 0.25R | - | Goldman Sachs Intl |
| **D-MARKS** | | | | | | | |
| KfW‡ | 3bn | (e) | 99.883R | Sep 2002 | 0.08R | - | Deutsche/Lehman Brothers |
| **STERLING** | | | | | | | |
| Midland Bank‡ | 300 | (f) | 100.00R | Sep 2002 | 0.15R | - | HSBC Markets |
| **ITALIAN LIRE** | | | | | | | |
| World Bank(g) | 250bn | (g1,s) | 99.075R | Jan 2007 | 0.325R | - | Caboto/Cariplo/Deutsche |
| **PESETAS** | | | | | | | |
| Hamburgische Landesbank(h) | 10bn | 5.60 | 100.00 | Oct 2001 | 0.10 | - | Banco Bilbao Vizcaya |
| **CZECH KORUNA** | | | | | | | |
| World Bank | 1bn | 13.75 | 100.00R | Sep 1998 | 0.15R | - | ING Barings |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Sallie Mae Student Loan Trust. Quarterly coupons. a1) Average life: 2.52 yrs. a2) Priced later. a3) Av life 7.2 yrs. a4) Priced later. b) Legal maturity: 15/2/07. b1) Priced later; 1-mth Libor +12bp area. b2) Class B: $56.25m, 1-mth Libor +30bp area. c) Callable on any coupon date at par. c1) 3-mth Libor +12½bp. d) 3-mth Libor +15bp. d1) Priced later to yield Libor +18bp. e) 3-mth Libor –15bp. f) 3-mth Libor flat. g) Fungible with L1,000bn. Plus 63 days accrued. g1) 9.3% to 2/1/99, then 5.4%. h) Callable on 8/10/98 at par. i) Long 1st coupon. s) Short 1st coupon.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| Sep 4 | Red Date | Coupon | Bid Price | Bid Yield | Day chg yield | Wk chg yield | Month chg yld | Year chg yld |
|---|---|---|---|---|---|---|---|---|
| Australia | 03/99 | 6.250 | 101.7180 | 5.06 | -0.12 | -0.03 | -1.99 | -2.07 |
| | 10/07 | 10.000 | 124.8470 | 6.56 | +0.08 | -0.17 | -1.48 | -1.58 |
| Austria | 08/99 | 7.000 | 105.2400 | 4.25 | -0.01 | -0.05 | -0.25 | +0.38 |
| | 07/07 | 5.625 | 99.3100 | 5.72 | +0.01 | - | -0.88 | -0.74 |
| Belgium | 04/99 | 7.000 | 104.5900 | 4.03 | -0.01 | - | -0.01 | -0.18 |
| | 03/07 | 6.250 | 103.4600 | 5.76 | -0.01 | -0.03 | -0.86 | -0.88 |
| Canada* | 03/99 | 4.000 | 98.7200 | 4.19 | -0.05 | -0.06 | -1.35 | -1.39 |
| | 06/07 | 7.250 | 109.0000 | 6.00 | -0.03 | -0.06 | -1.28 | -1.50 |
| Denmark | 12/99 | 8.000 | 102.8900 | 4.81 | -0.01 | - | -0.38 | -0.27 |
| | 11/07 | 7.000 | 105.5400 | 6.24 | -0.01 | -0.05 | +0.97 | -1.10 |
| Finland | 01/99 | 11.000 | 108.1580 | 3.67 | +0.05 | +0.04 | -1.12 | +0.66 |
| | 04/06 | 7.250 | 108.7930 | 5.91 | -0.05 | -0.06 | -1.41 | -1.20 |
| France | 11/99 | 7.000 | 105.8852 | 4.06 | - | +0.02 | -0.40 | -0.47 |
| | 10/04 | 6.750 | 109.1480 | 5.18 | - | -0.01 | -0.82 | -0.89 |
| | 10/07 | 5.500 | 99.3674 | 5.58 | -0.01 | -0.02 | -0.79 | -0.90 |
| | 10/25 | 6.000 | 96.2490 | 6.29 | -0.01 | -0.03 | -0.89 | -0.97 |
| Germany | 06/99 | 3.500 | 99.2800 | 3.92 | -0.04 | -0.04 | -0.02 | -0.11 |
| | 07/04 | 6.750 | 108.1800 | 5.29 | -0.02 | -0.01 | -0.70 | -0.71 |
| | 07/07 | 6.000 | 102.3500 | 5.68 | -0.01 | +0.02 | -0.80 | +0.70 |
| | 07/27 | 6.500 | 101.9700 | 6.35 | -0.02 | -0.03 | -0.85 | +0.79 |
| Ireland | 04/99 | 6.250 | 100.6800 | 5.77 | -0.02 | +0.06 | -0.64 | -1.03 |
| | 08/06 | 8.000 | 111.2200 | 6.32 | +0.03 | -0.06 | -1.21 | -1.33 |
| Italy | 05/00 | 6.000 | 100.3000 | 5.87 | -0.02 | -0.21 | -2.62 | -2.67 |
| | 05/02 | 6.250 | 101.0300 | 5.99 | -0.02 | -0.22 | -2.75 | -2.95 |
| | 07/07 | 6.750 | 102.4000 | 6.41 | -0.02 | -0.18 | -2.83 | -3.16 |
| | 01/28 | 7.250 | 102.9500 | 7.01 | -0.01 | -0.18 | -2.65 | -2.86 |
| Japan | 06/99 | 4.800 | 107.6700 | 0.61 | +0.01 | -0.02 | -1.12 | -0.68 |
| | 12/02 | 4.800 | 116.3500 | 1.56 | +0.04 | +0.03 | -1.18 | -0.81 |
| | 09/05 | 3.000 | 106.6700 | 2.09 | +0.03 | -0.01 | -1.18 | -0.89 |
| | 03/17 | 3.500 | 108.9000 | 2.90 | -0.03 | +0.03 | -0.84 | -0.69 |
| Netherlands | 06/99 | 7.500 | 105.6700 | 4.09 | -0.02 | +0.03 | -0.34 | +0.33 |
| | 02/07 | 5.750 | 100.9000 | 5.62 | -0.02 | -0.01 | -0.80 | -0.66 |
| New Zealand | 02/00 | 6.500 | 98.2814 | 7.27 | - | +0.01 | -1.09 | -0.98 |
| | 11/06 | 8.000 | 105.4983 | 7.16 | -0.02 | -0.02 | -1.05 | -1.30 |
| Norway | 01/99 | 9.000 | 103.8400 | 4.65 | +0.01 | -0.03 | -0.98 | -1.32 |
| | 01/07 | 6.750 | 105.2000 | 6.00 | -0.01 | -0.07 | -0.87 | -1.22 |
| Portugal | 03/29 | 8.500 | 104.6798 | 5.22 | -0.01 | -0.06 | -2.18 | -2.09 |
| | 02/07 | 6.625 | 102.3570 | 6.28 | -0.02 | -0.09 | -2.38 | -2.41 |
| Spain | 07/99 | 7.400 | 104.2419 | 4.98 | -0.04 | -0.20 | -2.48 | -2.51 |
| | 03/07 | 7.350 | 106.1293 | 6.19 | -0.05 | -0.10 | -2.53 | -2.66 |
| Sweden | 01/99 | 11.000 | 107.8590 | 4.87 | -0.01 | -0.01 | -1.62 | -1.51 |
| | 08/07 | 8.000 | 110.2570 | 6.56 | -0.01 | -0.02 | -1.61 | -1.77 |
| Switzerland | 03/98 | 4.000 | 103.4700 | 1.64 | - | -0.02 | -0.83 | -0.65 |
| | 08/07 | 4.500 | 107.9000 | 3.53 | - | -0.02 | -0.75 | -0.71 |
| UK | 08/98 | 8.000 | 98.3455 | 6.93 | -0.03 | -0.11 | +0.81 | -0.78 |
| | 11/04 | 6.750 | 98.6563 | 6.99 | - | -0.66 | -0.48 | -0.52 |
| | 12/07 | 7.250 | 101.8750 | 6.99 | +0.01 | -0.08 | -0.80 | -0.92 |
| | 06/21 | 8.000 | 112.2813 | 6.94 | - | -0.06 | -1.16 | -1.29 |
| US* | 07/99 | 5.875 | 99.8438 | 5.96 | -0.02 | -0.04 | -0.02 | -0.40 |
| | 05/04 | 7.250 | 105.0213 | 6.31 | +0.01 | +0.03 | -0.02 | -0.42 |
| | 08/07 | 6.125 | 98.5000 | 6.33 | +0.01 | -0.03 | -0.21 | -0.80 |
| | 08/27 | 6.375 | 97.0000 | 6.61 | +0.02 | -0.04 | -0.16 | -0.49 |
| ECU | 03/99 | 5.000 | 100.7100 | 4.49 | -0.05 | -0.06 | -0.20 | -0.18 |
| | 04/07 | 5.500 | 96.8400 | 5.94 | -0.02 | -0.02 | -0.88 | -0.96 |

London closing. * New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis.

### 10 YEAR BENCHMARK SPREADS

| Sep 4 | Bid Yield | Spread vs Bunds | Spread vs T-Bonds | | Bid Yield | Spread vs Bunds | Spread vs T-Bonds |
|---|---|---|---|---|---|---|---|
| Australia | 6.56 | +0.88 | -0.23 | New Zealand | 7.16 | +1.48 | +0.83 |
| Austria | 5.72 | +0.04 | -0.61 | Norway | 6.00 | +0.32 | -0.33 |
| Belgium | 5.76 | +0.08 | -0.57 | Portugal | 6.28 | +0.60 | -0.05 |
| Canada | 6.00 | +0.32 | -0.33 | Spain | 6.19 | -0.51 | -0.14 |
| Denmark | 6.24 | -0.56 | -0.09 | Sweden | 6.56 | +0.86 | +0.23 |
| Finland | 5.91 | -0.23 | -0.42 | Switzerland | 3.53 | -2.15 | -2.80 |
| France | 5.58 | -0.10 | -0.75 | UK | 6.99 | +1.31 | -0.66 |
| Germany | 5.68 | - | -0.65 | US | 6.33 | -0.65 | - |
| Ireland | 6.32 | -0.64 | -0.01 | ECU | 5.93 | +0.25 | -0.40 |
| Italy | 6.41 | -0.73 | -0.08 | | | | |
| Japan | 2.09 | -3.59 | -4.24 | | | | |
| Netherlands | 5.62 | -0.06 | -0.71 | | | | |

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

### EMERGING MARKET BONDS

| Sep 4 | Red date | Coupn | S & P Rating | Bid price | Bid yield | Day's chge yld | Mth's chge yld | Sprd vs US |
|---|---|---|---|---|---|---|---|---|
| **EUROPE** | | | | | | | | |
| Croatia | 02/02 | 7.000 | BBB- | 97.9431 | 7.55 | -0.04 | -0.09 | +1.33 |
| Poland | 07/00 | 7.750 | BBB- | 102.7096 | 6.66 | +0.04 | +0.08 | +0.58 |
| Russia | 11/01 | 9.250 | BB- | 101.6472 | 8.66 | -0.04 | -0.01 | +2.51 |
| **LATIN AMERICA** | | | | | | | | |
| Argentina | 01/17 | 11.375 | n/a | 116.8106 | 9.44 | +0.05 | +0.10 | +2.97 |
| Brazil | 11/01 | 8.875 | BB- | 102.9485 | 8.00 | -0.04 | +0.34 | +1.85 |
| Mexico | 01/07 | 9.875 | BB | 105.6842 | 8.93 | -0.01 | +0.12 | +2.60 |
| **ASIA** | | | | | | | | |
| China | 07/01 | 7.750 | BBB+ | 102.2379 | 7.05 | +0.02 | +0.03 | -0.80 |
| Philippines | 10/16 | 8.750 | n/a | 98.3524 | 8.93 | +0.01 | +0.34 | +2.48 |
| Thailand | 04/07 | 7.375 | n/a | 98.7042 | 7.56 | -0.25 | -0.30 | +1.23 |
| **AFRICA/MIDDLE EAST** | | | | | | | | |
| Lebanon | 07/00 | 9.125 | BB- | 103.4558 | 7.73 | -0.04 | -0.02 | +1.65 |
| South Africa | 12/99 | 9.625 | BB+ | 105.5870 | 6.81 | -0.04 | +0.21 | +0.95 |
| Turkey | 05/02 | 10.000 | n/a | 104.9469 | 8.69 | -0.04 | -0.29 | +2.47 |
| **BRADY BONDS** | | | | | | | | |
| Argentina | 03/23 | 4.250 | n/a | 73.7186 | 8.34 | +0.03 | -0.02 | -0.21 |
| Brazil | 04/24 | 4.250 | n/a | 70.5255 | 8.62 | -0.04 | -0.13 | -0.06 |
| Mexico | 12/19 | 6.250 | BB | 80.6825 | 8.14 | -0.04 | -0.10 | +1.65 |
| Venezuela | 03/20 | 6.750 | n/a | 82.1248 | 8.55 | +0.04 | -0.01 | +2.04 |

London closing. Standard & Poor's ratings. Source: Interactive Data/FT Information.

### BOND FUTURES AND OPTIONS

#### France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 129.72 | 129.92 | -0.02 | 129.98 | 129.70 | 123,408 | 157,747 |
| Dec | 98.58 | 98.78 | +0.02 | 98.84 | 98.56 | 37,274 | 31,286 |
| Mar | 98.08 | 98.18 | -0.02 | 98.00 | 98.00 | 2 | 3 |

LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Oct | Calls Nov | Calls Dec | Puts Oct | Puts Nov | Puts Dec |
|---|---|---|---|---|---|---|
| 96 | - | - | 3.02 | 0.02 | 0.17 | 0.28 |
| 97 | - | - | - | 0.08 | 0.31 | 0.47 |
| 98 | 1.01 | 1.33 | 1.52 | 0.26 | 0.58 | 0.77 |
| 99 | 0.41 | 0.75 | 0.95 | 0.66 | 0.99 | 1.19 |
| 100 | 0.11 | 0.38 | 0.54 | - | 1.90 | - |

Est. vol. total, Calls 5,574 Puts 3,830. Previous day's open int., Calls 47,274 Puts 58,412.

#### Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 102.18 | 102.37 | +0.07 | 102.47 | 102.15 | 128035 | 93054 |
| Dec | 101.30 | 101.47 | +0.06 | 101.56 | 101.25 | 147578 | 186868 |

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Oct | Calls Nov | Calls Dec | Calls Mar | Puts Oct | Puts Nov | Puts Dec | Puts Mar |
|---|---|---|---|---|---|---|---|---|
| 10100 | 0.74 | 1.02 | 1.23 | 1.25 | 0.27 | 0.55 | 0.76 | 1.68 |
| 10150 | 0.44 | 0.74 | 0.95 | 1.04 | 0.47 | 0.77 | 0.98 | 1.97 |
| 10200 | 0.23 | 0.50 | 0.71 | 0.86 | 0.76 | 1.03 | 1.24 | 2.29 |

Est. vol. total, Calls 6673 Puts 9287. Previous day's open int., Calls 114595 Puts 137181

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 104.40 | 104.50 | -0.08 | 104.54 | 104.39 | 84,037 | 124,039 |
| Dec | 103.56 | 103.65 | +0.03 | 103.68 | 103.56 | 72,551 | 83,682 |

#### Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 137.07 | 137.71 | -0.51 | 137.95 | 136.74 | 21184 | 38248 |
| Dec | 108.90 | 109.26 | +0.27 | 109.95 | 108.55 | 73677 | 92484 |

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Dec | Calls Mar | Puts Dec | Puts Mar |
|---|---|---|---|---|
| 10900 | 1.59 | 2.61 | 1.33 | 1.81 |
| 10950 | 1.31 | 2.35 | 1.55 | 2.05 |
| 11000 | 1.07 | 2.10 | 1.81 | 2.30 |

Est. vol. total, Calls 6862 Puts 4413. Previous day's open int., Calls 44804 Puts 39204

#### Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 117.39 | 117.78 | +0.29 | 117.84 | 117.26 | 122,177 | 86,296 |
| Dec | 101.12 | 101.63 | -0.43 | 101.88 | 101.02 | 5,229 | 5,511 |

#### UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 115-02 | 115-04 | +0-01 | 115-05 | 114-26 | 14780 | 45337 |
| Dec | 114-21 | 114-25 | +0-01 | 114-27 | 114-18 | 38755 | 139770 |

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Oct | Calls Nov | Calls Dec | Calls Mar | Puts Oct | Puts Nov | Puts Dec | Puts Mar |
|---|---|---|---|---|---|---|---|---|
| 114 | 1-08 | 1-32 | 1-52 | 2-11 | 0-22 | 0-48 | 1-02 | 1-45 |
| 115 | 0-32 | 0-61 | 1-15 | 1-44 | 0-48 | 1-11 | 1-29 | 2-14 |
| 116 | 0-13 | 0-34 | 0-50 | 1-18 | 1-27 | 1-48 | 2-00 | 2-52 |

Est. vol. total, Calls 281 Puts 1682. Previous day's open int., Calls 24717 Puts 23201

#### Ecu

ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 96.62 | 96.68 | -0.14 | 96.92 | 96.62 | 1,178 | 5,765 |
| Dec | 96.34 | 96.50 | +0.12 | 96.40 | 96.34 | 565 | 103 |

#### US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 113-06 | 113-08 | -0-03 | 113-10 | 113-02 | 31,004 | 198,501 |
| Dec | 112-29 | 112-28 | -0-03 | 112-30 | 112-22 | 287,945 | 359,013 |
| Mar | 112-18 | 112-05 | -0-15 | 112-15 | 112-15 | 233 | 33,486 |

#### Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 127.47 | | | 127.47 | 127.32 | 1383 | na |
| Dec | 126.77 | | | 126.77 | 126.60 | 3089 | na |

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

### US CORPORATE BONDS

| Sep 3 | Red date | Coupn | S & P Rating | Bid price | Bid yield | Day's chge yld | Mth's chge yld | Sprd v Govts |
|---|---|---|---|---|---|---|---|---|
| **UTILITIES** | | | | | | | | |
| Pac Bell | 07/02 | 7.25 | AA- | 102.7629 | 6.58 | - | +0.08 | +0.38 |
| NY Tel | 08/25 | 7.00 | A+ | 94.5401 | 7.48 | - | +0.09 | +0.87 |
| Con Edison | 05/08 | 6.00 | BBB | 108.1762 | 7.18 | +0.01 | +0.10 | +0.57 |
| **FINANCIALS** | | | | | | | | |
| GECC | 05/07 | 8.75 | AAA | 113.7529 | 6.78 | - | +0.07 | +0.47 |
| Banc One | 08/02 | 7.25 | A+ | 102.4996 | 6.65 | - | +0.01 | +0.45 |
| US West | 01/07 | 7.30 | BBB+ | 101.5323 | 7.07 | +0.01 | +0.08 | +0.76 |
| **INDUSTRIALS** | | | | | | | | |
| WMX Tech | 04/99 | 6.25 | A- | 99.9320 | 6.29 | +0.07 | +0.21 | +0.85 |
| Wal Mart | 05/02 | 6.75 | AA | 100.9082 | 6.51 | -0.03 | +0.15 | +0.31 |
| Dayton Hud | 06/21 | 9.70 | BBB+ | 123.9816 | 7.51 | -0.02 | +0.07 | +0.92 |
| **AGENCIES** | | | | | | | | |
| FHLMC | 04/07 | 7.14 | N/A | 103.7777 | 6.59 | - | +0.11 | +0.28 |
| SLMA | 03/00 | 7.50 | N/A | 103.1324 | 6.13 | +0.02 | +0.05 | +0.08 |
| FNMA | 02/18 | 8.95 | A-2 | 121.4088 | 6.98 | - | +0.09 | +0.37 |
| FFCB | 06/06 | 6.95 | N/A | 115.6452 | 6.58 | - | +0.10 | +0.25 |
| **HIGH YIELD** | | | | | | | | |
| Stone Cont | 02/01 | 9.88 | B | 101.3750 | 0.00 | - | - | - |
| AK Stl | 12/01 | 9.13 | BB- | 105.1250 | 0.00 | - | - | - |
| Pacalta | 06/04 | 0.75 | B- | 103.5000 | 0.00 | - | - | - |

Previous day's New York close. New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

### US INTEREST RATES

| Latest | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| | | One month | - | Two year | 5.96 |
| Prime rate | 8½ | Two month | - | Three year | 6.07 |
| Broker loan rate | 7¾ | Three month | 5.15 | Five year | 6.21 |
| Fed.funds | 5½ | Six month | 5.38 | 10-year | 6.32 |
| Fed.funds at intervention | - | One year | 5.57 | 30-year | 6.60 |

### BENCHMARK EUROBONDS

| Sep 4 | Red date | Coupon | S & P Rating | Bid price | Bid yld | Day's chge yld | Mth's chge yld | Spread v Govts |
|---|---|---|---|---|---|---|---|---|
| **EURO DM** | | | | | | | | |
| EIB | 02/07 | 5.750 | AAA | 100.5400 | 5.67 | -0.01 | -0.02 | -0.01 |
| Spain | 01/07 | 5.750 | AA | 99.9700 | 5.75 | - | -0.01 | -0.07 |
| Philip Morris | 03/04 | 5.375 | A | 98.6600 | 5.62 | - | -0.07 | -0.42 |
| ABN Amro | 03/05 | 3.500 | n/a | 99.5541 | 5.81 | -0.01 | -0.07 | +0.21 |
| **EURO FFr** | | | | | | | | |
| Austria | 01/04 | 5.500 | n/a | 101.8300 | 5.13 | +0.02 | -0.04 | +0.24 |
| Abbey Nat | 02/04 | 6.000 | AA | 104.1500 | 5.22 | -0.02 | -0.08 | +0.33 |
| Cred Foncier | 02/04 | 9.125 | A | 118.9100 | 5.55 | -0.02 | +0.03 | -0.66 |
| Abbey Nat | 09/06 | 5.340 | n/a | 100.7303 | 5.24 | -0.01 | -0.06 | -0.04 |
| **EURO LIRA** | | | | | | | | |
| EIB | 02/07 | 7.000 | n/a | 104.1500 | 6.39 | +0.07 | +0.19 | -0.02 |
| Abbey Nat | 02/02 | 6.800 | n/a | 102.8500 | 6.04 | -0.08 | -0.18 | -0.08 |
| Walt Disney | 06/00 | 8.625 | n/a | 108.1600 | 6.13 | +0.03 | +0.51 | -0.13 |
| Abbey Nat | 03/07 | 8.000 | AAr | 100.1673 | 7.74 | -0.02 | -0.06 | +1.33 |
| **EURO £** | | | | | | | | |
| EIB | 12/07 | 7.625 | n/a | 102.6250 | 7.25 | -0.03 | +0.11 | +0.26 |
| Dresdner Bk | 12/07 | 7.750 | n/a | 100.6398 | 7.65 | - | -0.09 | +0.66 |
| RBS | 01/07 | 8.375 | n/a | 102.6550 | 7.80 | - | +0.12 | -0.81 |
| Abbey Nat | 02/02 | 7.400 | AA | 99.9921 | 6.96 | - | -0.13 | +0.08 |
| **EURO $** | | | | | | | | |
| EIB | 04/07 | 7.250 | AAA | 103.8267 | 6.69 | - | -0.14 | +0.36 |
| ABN Amro | 06/07 | 7.125 | n/a | 100.9889 | 6.98 | +0.03 | +0.12 | -0.65 |
| Quebec | 01/07 | 7.000 | A+ | 100.3306 | 6.95 | -0.03 | +0.15 | +0.62 |
| Citicorp | 02/04 | 5.781 | A+ | 99.8450 | 5.81 | +0.04 | -0.13 | -0.46 |
| **EURO C$** | | | | | | | | |
| Bayer L-Bk | 08/04 | 9.500 | AAA | 118.8632 | 6.08 | - | +0.07 | +0.19 |
| Toronto | 05/04 | 8.500 | AAA | 113.0300 | 6.07 | -0.04 | +0.07 | -0.18 |
| Bell Canada | 07/99 | 10.625 | A+ | 109.9943 | 4.83 | -0.15 | -0.30 | - |
| Deutsche Bk | 09/02 | 5.875 | AAA | 101.8600 | 6.56 | +0.03 | -0.18 | -0.10 |
| **EURO YEN** | | | | | | | | |
| World Bank | 03/02 | 5.250 | AAA | 117.0300 | 1.56 | -0.02 | -0.06 | +0.26 |
| Spain | 03/02 | 5.750 | AA | 116.8000 | 1.44 | +0.03 | -0.11 | +0.36 |
| Cred Foncier | 08/02 | 4.750 | A | 113.6078 | 1.83 | -0.03 | -0.11 | +0.75 |
| Italy | 07/99 | 0.703 | AA | 100.7320 | 0.15 | - | +0.01 | -0.32 |

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

## UK BONDS

### FTSE Actuaries Govt. Securities

| Price Indices UK Gilts | Thu Sep 4 | Day's change % | Wed Sep 3 | Accrued interest | xd adj. ytd |
|---|---|---|---|---|---|
| 1 Up to 5 years (19) | 119.86 | 0.02 | 119.84 | 2.28 | 7.34 |
| 2 5-15 years (20) | 153.40 | 0.04 | 153.33 | 2.73 | 7.82 |
| 3 Over 15 years (5) | 183.29 | 0.05 | 183.19 | 7.26 | 7.09 |
| 4 Irredeemables (4) | 242.27 | 0.07 | 242.10 | 4.24 | 8.36 |
| 5 All stocks (48) | 147.76 | 0.04 | 147.71 | 3.34 | 7.66 |
| **Index-linked** | | | | | |
| 6 Up to 5 years (2) | 207.39 | 0.02 | 207.36 | 2.61 | 3.03 |
| 7 Over 5 years (10) | 200.46 | 0.04 | 200.39 | 1.07 | 4.70 |
| 8 All stocks (12) | 200.10 | 0.03 | 200.03 | 1.22 | 4.51 |

### UK Indices

| | Low coupon yield Sep 4 | Low Sep 3 | Low Yr. ago | Medium coupon yield Sep 4 | Medium Sep 3 | Medium Yr. ago | High coupon yield Sep 4 | High Sep 3 | High Yr. ago |
|---|---|---|---|---|---|---|---|---|---|
| 5 yrs | 6.97 | 6.97 | 7.21 | 7.04 | 7.04 | 7.29 | 7.07 | 7.07 | 7.35 |
| 15 yrs | 6.96 | 6.97 | 8.13 | 7.01 | 7.01 | 8.14 | 7.07 | 7.07 | 8.14 |
| 20 yrs | 6.96 | 6.97 | 8.23 | 6.99 | 6.99 | 8.22 | 7.07 | 7.07 | 8.23 |
| Irred.† | 7.06 | 7.07 | 8.24 | | | | | | |

| | Inflation 5% Sep 4 | Sep 3 | Yr. ago | Inflation 10% Sep 4 | Sep 3 | Yr. ago |
|---|---|---|---|---|---|---|
| Up to 5 yrs | 3.62 | 3.62 | 2.13 | 2.95 | 2.95 | 0.50 |
| Over 5 yrs | 3.55 | 3.55 | 3.72 | 3.35 | 3.35 | 3.51 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT Fixed Interest Indices

| | Sep 4 | Sep 3 | Sep 2 | Sep 1 | Aug 29 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 97.22 | 97.20 | 97.08 | 97.01 | 96.63 | 92.92 | 97.88 | 93.31 |
| Fixed Interest | 125.83 | 126.05 | 125.86 | 125.72 | 125.58 | 113.00 | 126.68 | 115.32 |

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

## UK GILTS PRICES

| Notes | Yield Int | Yield Red | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|
| **Shorts" (Lives up to Five Years)** | | | | | | |
| Treas 5¾pc 1997‡‡ | 5.75 | - | 100 | — | 107[illegible] | 100 |
| Exch 15pc 1997 | 14.04 | 6.53 | 101[illegible] | [illegible] | 106[illegible] | 101[illegible] |
| Exch 9¾pc 1998 | 8.86 | 6.89 | 100[illegible] | — | 104[illegible] | 100[illegible] |
| Treas 7¼pc 1998‡‡ | 7.24 | 7.01 | 100[illegible] | — | 109[illegible] | 100[illegible] |
| Treas 15½pc '98‡‡ | 14.29 | 7.05 | 108[illegible] | [illegible] | 117[illegible] | 108[illegible] |
| Exch 12pc 1998 | 11.37 | 7.11 | 105½ | [illegible] | 111[illegible] | 105[illegible] |
| Treas 9½pc 1999‡‡ | 9.22 | 7.04 | 103[illegible] | — | 105[illegible] | 97[illegible] |
| Treas Flg Rate 1999‡‡ | - | - | 100[illegible]xd | [illegible] | 100[illegible] | 99[illegible] |
| Exch 12¼pc 1999 | 11.40 | 7.06 | 107[illegible] | — | 113[illegible] | 107[illegible] |
| Treas 10½pc 1999 | 9.95 | 7.04 | 105[illegible] | [illegible] | 110[illegible] | 105[illegible] |
| Treas 6pc 1999‡‡ | 6.10 | 6.93 | 98[illegible] | — | 99[illegible] | 96[illegible] |
| Conv 10¼pc 1999 | 9.63 | 7.03 | 106[illegible] | — | 110½ | 106[illegible] |
| Treas 8½pc 2000 | 8.24 | 7.09 | 103[illegible] | [illegible] | 104[illegible] | 102[illegible] |
| Conv 9pc 2000‡‡ | 8.62 | 6.93 | 104[illegible] | [illegible] | 107[illegible] | 103[illegible] |
| Treas 13pc 2000 | 11.30 | 7.08 | 115[illegible] | [illegible] | 120[illegible] | 114[illegible] |
| Treas 14pc 1998-1 | 13.37 | 7.02 | 104[illegible] | [illegible] | 112[illegible] | 104[illegible] |
| Treas 8pc 2000‡‡ | 7.78 | 6.98 | 102[illegible] | — | 104[illegible] | 102 |
| Treas Flg Rate 2001 | - | - | 100[illegible] | — | 100[illegible] | 99[illegible] |
| Treas 10pc 2001 | 9.18 | 7.05 | 108[illegible] | [illegible] | 112[illegible] | 98[illegible] |
| Conv 9¾pc 2001‡‡ | 8.79 | 7.06 | 106[illegible] | — | 109[illegible] | 107[illegible] |
| Conv 9¾pc 2001 | 8.94 | 7.09 | 109[illegible] | [illegible] | 110[illegible] | 106[illegible] |
| Treas 7pc 2001‡‡ | 7.00 | 6.99 | 100 | — | 101[illegible] | 98[illegible] |
| Exch 12pc 1999-2 | 11.28 | 7.13 | 106¼ | [illegible] | 109[illegible] | 106[illegible] |
| Conv 10pc 2002 | 8.98 | 7.05 | 111[illegible] | [illegible] | 112[illegible] | 109[illegible] |
| Treas 7pc 2002‡‡ | 6.99 | 7.05 | 100[illegible] | [illegible] | 101[illegible] | 97[illegible] |
| **Five to Fifteen Years** | | | | | | |
| Conv 9½pc 2002 | 8.66 | 7.05 | 109¾ | [illegible] | 110[illegible] | 108¼ |
| Treas 9¾pc 2002 | 8.77 | 7.05 | 111¼ | — | 122¼ | 100½ |
| Exch 9pc 2002 | 8.31 | 7.07 | 108[illegible] | [illegible] | 108¼ | 106[illegible] |
| Conv 9¾pc 2003‡‡ | 8.69 | 7.06 | 112[illegible] | [illegible] | 113[illegible] | 110[illegible] |
| Treas 8pc 2003‡‡ | 7.64 | 7.00 | 104[illegible] | — | 105[illegible] | 102[illegible] |
| Treas 13¾pc 2000-3 | 11.74 | 7.08 | 117[illegible] | [illegible] | 119[illegible] | 116[illegible] |
| Treas 10pc 2003 | 8.75 | 7.05 | 114¼xd | — | 116[illegible] | 111[illegible] |
| Treas 11½pc 2001-4 | 10.12 | 7.08 | 113[illegible] | [illegible] | 121[illegible] | 113¼ |
| Treas 10pc 2004 | 8.66 | 7.07 | 115[illegible] | — | 116[illegible] | 113 |
| Funding 3½pc 1999-4 | 4.02 | 5.83 | 88[illegible] | [illegible] | 87[illegible] | 81[illegible] |

| Notes | Yield Int | Yield Red | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|
| Conv 9½pc 2004 | 8.36 | 7.03 | 113[illegible] | [illegible] | 114[illegible] | 109[illegible] |
| Treas 6¾pc 2004‡‡ | 6.84 | 6.98 | 98[illegible] | [illegible] | 99[illegible] | 94[illegible] |
| Conv 9½pc 2005 | 8.32 | 7.06 | 114[illegible] | [illegible] | 122[illegible] | 110[illegible] |
| Exch 10½pc 2005 | 8.89 | 7.05 | 120[illegible] | [illegible] | 121[illegible] | 117[illegible] |
| Treas 12½pc 2003-5 | 9.85 | 7.07 | 129[illegible] | — | 129[illegible] | 124[illegible] |
| Treas 8½pc 2005‡‡ | 7.79 | 7.01 | 109[illegible] | [illegible] | 109[illegible] | 104[illegible] |
| Conv 9¾pc 2006 | 8.28 | 7.05 | 117[illegible] | [illegible] | 118[illegible] | 113[illegible] |
| Treas 7½pc 2006‡‡ | 7.26 | 7.01 | 103¼ | [illegible] | 103[illegible] | 97[illegible] |
| Treas 7¾pc 2006‡‡ | 7.41 | 7.04 | 104[illegible]xd | [illegible] | 107[illegible] | 97½ |
| Treas 8pc 2002-6‡‡ | 7.72 | 7.14 | 103[illegible] | [illegible] | 104[illegible] | 100[illegible] |
| Treas 11¾pc 2003-7 | 9.74 | 7.05 | 120[illegible] | — | 125[illegible] | 115[illegible] |
| Treas 8½pc 2007‡‡ | 7.72 | 7.05 | 110[illegible] | [illegible] | 111[illegible] | 103[illegible] |
| Treas 7¼pc 2007‡‡ | 7.11 | 6.98 | 101[illegible] | [illegible] | 102[illegible] | 95[illegible] |
| Treas 13½pc 2004-8 | 10.14 | 7.09 | 133[illegible] | — | 134[illegible] | 131[illegible] |
| Treas 9pc 2008‡‡ | 7.82 | 7.02 | 115[illegible] | — | 116 | 103[illegible] |
| Treas 8pc 2009 | 7.42 | 7.02 | 107[illegible] | [illegible] | 108[illegible] | 99[illegible] |
| Treas 6¼pc 2010‡‡ | 6.70 | 7.03 | 93[illegible] | [illegible] | 95[illegible] | 87[illegible] |
| Conv 9pc Ln 2011‡‡ | 7.68 | 7.03 | 117[illegible] | [illegible] | 118[illegible] | 107[illegible] |
| Treas 9pc 2012‡‡ | 7.64 | 7.04 | 117[illegible]xd | — | 119[illegible] | 105½ |
| **Over Fifteen Years** | | | | | | |
| Treas 5½pc 2008-12‡‡ | 6.26 | 6.83 | 87[illegible]xd | [illegible] | 89[illegible] | 77[illegible] |
| Treas 8pc 2013‡‡ | 7.39 | 7.03 | 109[illegible] | [illegible] | 110[illegible] | 97[illegible] |
| Treas 7¾pc 2012-15‡‡ | 7.30 | 7.05 | 109[illegible] | [illegible] | 107[illegible] | 95[illegible] |
| Treas 8pc 2015‡‡ | 7.24 | 6.98 | 110[illegible] | [illegible] | 111[illegible] | 97[illegible] |
| Treas 8¾pc 2017‡‡ | 7.36 | 7.00 | 118[illegible] | [illegible] | 120[illegible] | 103[illegible] |
| Exch 12pc 2013-17 | 8.14 | 7.05 | 147[illegible] | [illegible] | 148[illegible] | 136[illegible] |
| Treas 8pc 2021‡‡ | 7.12 | 6.93 | 112[illegible] | [illegible] | 113[illegible] | 97[illegible] |
| **Undated** | | | | | | |
| Consols 4pc | 7.28 | - | 54[illegible] | [illegible] | 55[illegible] | 47½ |
| War Loan 3½pc‡‡ | 7.01 | - | 49[illegible] | — | 50[illegible] | 42[illegible] |
| Conv 3½pc '61 Aft | 5.25 | - | 66[illegible] | — | 67[illegible] | 59[illegible] |
| Treas 3pc '66 Aft | 7.40 | - | 40[illegible] | [illegible] | 41[illegible] | 35[illegible] |
| Consols 2½pc | 7.03 | - | 35[illegible] | [illegible] | 36[illegible] | 30[illegible] |
| Treas. 2½pc | 7.14 | - | 35 | [illegible] | 35[illegible] | 30[illegible] |

| Notes | Yield (1) | Yield (2) | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|
| **Index-Linked (b)** | | | | | | |
| 4⅝pc '98‡‡ (135.6) | - | 1.85 | 115[illegible] | — | 115[illegible] | 113[illegible] |
| 2½pc '99 [illegible] | 2.02 | 3.20 | 182[illegible] | — | 183[illegible] | 179[illegible] |
| 2½pc '01 (78.3) | 2.96 | 3.63 | 187[illegible] | [illegible] | 187[illegible] | 182[illegible] |
| 2½pc '03 (78.8) | 3.13 | 3.60 | 183[illegible] | — | 184[illegible] | 177½ |
| 4⅜pc '04‡‡ (135.6) | 3.18 | 3.59 | 118[illegible] | [illegible] | 120[illegible] | 116 |
| 2pc '06 (69.5) | 3.27 | 3.58 | 194[illegible] | [illegible] | 195[illegible] | 185[illegible] |
| 2½pc '09 (78.8) | 3.27 | 3.53 | 175[illegible] | [illegible] | 176[illegible] | 166[illegible] |
| 2½pc '11 (74.6) | 3.31 | 3.53 | 182[illegible] | [illegible] | 183[illegible] | 171[illegible] |
| 2½pc '13 (89.2) | 3.34 | 3.53 | 150½ | [illegible] | 151 | 140[illegible] |
| 2½pc '16 (81.6) | 3.35 | 3.53 | 161[illegible] | [illegible] | 161[illegible] | 149[illegible] |
| 2½pc '20 (83.0) | 3.40 | 3.55 | 154[illegible] | [illegible] | 155[illegible] | 143¼ |
| 2½pc '24‡‡ (97.7) | 3.41 | 3.55 | 128[illegible] | [illegible] | 129[illegible] | 118[illegible] |
| 4⅛pc '30‡‡ (135.1) | 3.40 | 3.54 | 126[illegible] | [illegible] | 126[illegible] | 117 |

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for December 1996: 154.4 and for July 1997: 157.5.

### Other Fixed Interest

| Notes | Yield Int | Yield Red | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|
| Asian Dev 10¼pc 2009 | 8.41 | 7.29 | 121[illegible] | — | 123[illegible] | 115[illegible] |
| B'ham 11½pc 2012 | 8.61 | 7.80 | 133[illegible] | — | 134½ | 123 |
| Leeds 13½pc 2006 | 9.82 | - | 137½ | — | 141½ | 131½ |
| Liverpool 3½pc Irred | 7.78 | - | 45xd | — | 46 | 37½ |
| LCC 3pc '20 Aft | 7.89 | - | 38 | — | 39 | 32[illegible] |
| Manchester 11½pc 2007 | 9.09 | 7.78 | 126½ | — | 128½ | 120½ |
| Met. Wtr. 3pc 'B' | 3.66 | 6.55 | 82 | — | 83 | 79½ |
| N'wide Anglia 3⅞pc 2021 | - | 3.94 | 146[illegible] | — | 150[illegible] | 139½ |
| 4⅛pc IL 2024 | - | 4.36 | 142 | — | 145[illegible] | 134 |

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. [illegible] Indicative price.

## CURRENCIES AND MONEY

# Mahathir about-face boosts ringgit

MARKETS REPORT

By Simon Kuper

The Malaysian ringgit rose nearly 3 per cent in late European trading yesterday, after Mahathir Mohamad, the country's prime minister, changed his approach to the crisis in the currency and Malaysian stocks.

Mr Mahathir said Malaysia would delay large infrastructure projects, and lift a recent ban on the short selling of shares. This delighted the markets, which had scorned Mr Mahathir's earlier attempts to blame the crisis on racist foreigners. Yesterday his finance minister, Anwar Ibrahim, had threatened traders with imprisonment without trial.

Richard Gray, emerging markets analyst at Bank of America in London, said the curb on prestige projects for Malaysia's new capital would cut imports of "gold-plated taps" and other construction goods. That would help reduce Malaysia's trade and current account deficits, and that would preclude the need to slow the economy in order to reduce other imports. Traders also said the end to the ban on short selling would raise confidence in Malaysia's intention to run an open market economy.

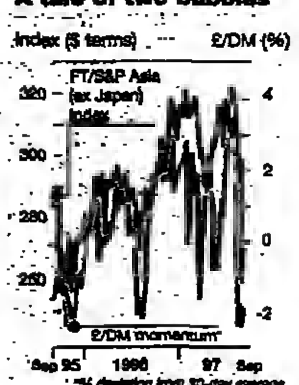
Mr Mahathir's comments had followed another disastrous Asian session for the ringgit and Malaysian shares. *The currency had hit* an all-time low of M$3.0425 to the dollar, while the stock market at one point had lost 10 per cent of its value. But after his announcement, during the Asian night, the ringgit immediately rallied to M$2.97 against the dollar.

Carlos Daurignac, emerging markets analyst at Credit Agricole Indosuez in London, forecast a rebound in the Kuala Lumpur stock market today. "What we are seeing right now is investors cancelling sell orders on their stocks," he said. "It seems the government got the message that fixing the economy was the priority."

The Singapore dollar rose against the US dollar on the new mood in Malaysia.

Mr Gray said that even *without Mr Mahathir's comments*, Asian currencies had been due a rebound. "Before he spoke, we'd put out a message saying the south east Asian currency panic was over. I mean, the ringgit's fallen from M$2.50 to M$3 this summer." He pointed to strength in Philippine and Indonesian equities yesterday, which bucked the fall in Kuala Lumpur and suggested that investors were picking stocks at the bottom of the market.

**A tale of two bubbles**




*% deviation from 30-day average
Source: National Australia Bank

■ The dollar slipped Y0.2 against the yen to close in London at Y120.9, after new talk of trade tensions between the US and Japan. Against the D-Mark the dollar was unchanged.

Overnight data showed that Japan's trade surplus leapt in the first 20 days of August, while Washington has threatened to impose heavy tariffs on Japanese ships entering the US unless Japan eases restrictions in its ports.

Michael Rosenberg, head of global fixed-income research at Merrill in New York, denies that the US is concerned about Japan's trade surplus in itself. He says that what Washington wants is for Japan to open its markets; in exchange, it will tolerate a weak yen. But if Japan will not lift regulations, he says, the US might use the dollar as a trade tool.

■ Mr Rosenberg, though a dollar bull, has found another short-term threat to the US currency. Merrill's quarterly survey of global investors shows that 75 per cent of them hold more dollars than their own guidelines suggest they should. Mr Rosenberg admits that the dollar may stall for a couple of months before advancing again. "It can't continue to gain ground when everyone's already overweight it," he says. Merrill surveyed 102 large fund managers, and found that in each region most held too many dollars. Three-quarters of the 34 Japanese managers surveyed, for instance, did.

■ The chart on the left, from Robin Aspinall at National Australia Bank, shows a surprising correlation: when Asian equities fall, the pound drops against the D-Mark. This may bear out the theory of Avinash Persaud at J.P. Morgan. He says that investors move between being risk averse and hungry for risk. When they are risk averse, they sell high yielding assets such as sterling and Asian stocks.

■ **Pound in New York**

| Sep 4 | Latest | Prev. close |
|---|---|---|
| £ spot | 1.5860 | 1.5840 |
| 1 mth | 1.5841 | 1.5820 |
| 3 mth | 1.5802 | 1.5780 |
| 1 yr | 1.5646 | 1.5623 |

■ **OTHER CURRENCIES**

| Sep 4 | £ | $ |
|---|---|---|
| Czech Rp | 54.4521 - 54.5526 | 34.3330 - 34.3790 |
| Hungary | 313.124 - 313.361 | 197.430 - 197.480 |
| Iran | 4760.40 - 4758.00 | 3000.00 - 3000.00 |
| Kuwait | 0.4840 - 0.4845 | 0.3052 - 0.3053 |
| Poland | 5.5669 - 5.5744 | 3.5100 - 3.5130 |
| Russia | 9259.07 - 9266.91 | 5838.00 - 5840.00 |
| U.A.E. | 5.8252 - 5.8283 | 3.6729 - 3.6730 |

## POUND SPOT FORWARD AGAINST THE POUND

| Sep 4 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 20.2976 | +0.0341 | 884 - 068 | 20.3799 | 20.1467 | 20.2432 | 3.2 | 20.1305 | 3.3 | 19.625 | 3.3 | 102.1 |
| Belgium | (BFr) | 59.5701 | +0.1136 | 194 - 208 | 59.8100 | 59.1020 | 59.3901 | 3.6 | 59.0201 | 3.7 | 57.2701 | 3.9 | 101.6 |
| Denmark | (DKr) | 10.9824 | +0.0192 | 780 - 867 | 11.0271 | 10.8997 | 10.9509 | 3.4 | 10.8889 | 3.3 | 10.5954 | 3.5 | 109.9 |
| Finland | (FM) | 8.6387 | -0.0128 | 324 - 450 | 8.6740 | 8.5930 | 8.6134 | 3.5 | 8.5809 | 3.9 | 8.3482 | 3.4 | 91.1 |
| France | (FFr) | 9.7051 | +0.0156 | 995 - 106 | 9.7456 | 9.6362 | 9.6721 | 4.1 | 9.6151 | 3.7 | 9.3396 | 3.6 | 104.5 |
| Germany | (DM) | 2.8844 | +0.005 | 832 - 856 | 2.8973 | 2.8613 | 2.875 | 3.9 | 2.856 | 3.9 | 2.7691 | 4.0 | 102.5 |
| Greece | (Dr) | 454.448 | +1.337 | 246 - 650 | 456.421 | 451.704 | 456.231 | -4.7 | 458.855 | -3.9 | 467.223 | -2.8 | 65.0 |
| Ireland | (I£) | 1.0796 | -0.0026 | 785 - 806 | 1.0813 | 1.0744 | 1.0791 | 0.6 | 1.0777 | 0.7 | 1.0658 | 1.2 | 99.8 |
| Italy | (L) | 2810.31 | -0.24 | 881 - 181 | 2821.69 | 2794.81 | 2810.39 | 0.0 | 2810.38 | 0.0 | 2807.76 | 0.1 | 76.2 |
| Luxembourg | (LFr) | 59.5701 | +0.1136 | 194 - 208 | 59.8100 | 59.1020 | 59.3901 | 3.6 | 59.0201 | 3.7 | 57.2701 | 3.9 | 101.6 |
| Netherlands | (Fl) | 3.2495 | +0.0056 | 481 - 509 | 3.2632 | 3.2254 | 3.2393 | 3.8 | 3.2184 | 3.3 | 3.1224 | 3.9 | 101.0 |
| Norway | (NKr) | 11.9110 | +0.0043 | 064 - 156 | 11.9491 | 11.8322 | 11.8785 | 3.3 | 11.8175 | 3.1 | 11.5485 | 3.0 | 98.8 |
| Portugal | (Es) | 292.477 | +0.796 | 300 - 654 | 293.595 | 289.645 | 292.321 | 0.6 | 291.791 | 0.9 | 287.709 | 1.6 | 92.2 |
| Spain | (Pta) | 243.275 | +0.406 | 134 - 415 | 244.370 | 241.590 | 242.96 | 1.6 | 242.21 | 1.8 | 237.84 | 2.2 | 78.8 |
| Sweden | (SKr) | 12.4792 | +0.0152 | 701 - 883 | 12.5278 | 12.4128 | 12.4517 | 2.6 | 12.3932 | 2.8 | 12.1357 | 2.7 | 85.9 |
| Switzerland | (SFr) | 2.3772 | -0.0005 | 758 - 786 | 2.3854 | 2.3644 | 2.3668 | 5.5 | 2.3437 | 5.6 | 2.2435 | 5.6 | 105.6 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 100.7 |
| Ecu | - | 1.4687 | +0.0023 | 678 - 695 | 1.4761 | 1.4600 | 1.4654 | 2.7 | 1.4582 | 2.6 | 1.4242 | 3.0 | - |
| SDR† | - | 1.17754 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5861 | +0.0029 | 857 - 865 | 1.5879 | 1.5783 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.7328 | +0.0039 | 322 - 334 | 1.7351 | 1.7244 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.1979 | +0.0078 | 969 - 988 | 2.2003 | 2.1866 | 2.1911 | 3.7 | 2.1774 | 3.7 | 2.1265 | 3.2 | 84.9 |
| Mexico | (New Peso) | 12.3462 | +0.0447 | 391 - 532 | 12.3543 | 12.2688 | - | - | - | - | - | - | - |
| USA | ($) | 1.5864 | +0.0029 | 860 - 868 | 1.5882 | 1.5785 | 1.5844 | 1.5 | 1.5805 | 1.5 | 1.5642 | 1.4 | 108.4 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.1656 | -0.0112 | 637 - 675 | 2.1768 | 2.1587 | 2.162 | 2.0 | 2.1536 | 2.2 | 2.1166 | 2.3 | 93.5 |
| Hong Kong | (HK$) | 12.2906 | +0.0232 | 867 - 945 | 12.3046 | 12.2307 | 12.2896 | 0.1 | 12.2831 | 0.2 | 12.2281 | 0.5 | - |
| India | (Rs) | 57.9671 | +0.1376 | 366 - 975 | 57.9980 | 57.6940 | 58.1623 | -4.0 | 58.5629 | -4.1 | 60.2426 | -3.9 | - |
| Israel | (Shk) | 5.5885 | +0.0202 | 792 - 978 | 5.5983 | 5.5785 | - | - | - | - | - | - | - |
| Japan | (Y) | 191.836 | +0.09 | 718 - 955 | 192.600 | 190.090 | 190.816 | 6.4 | 188.791 | 6.3 | 179.806 | 6.3 | 128.3 |
| Malaysia | (M$) | 4.7335 | +0.0115 | 263 - 406 | 4.8423 | 4.7149 | 4.7378 | -1.1 | 4.7458 | -1.0 | 4.7644 | -0.7 | - |
| New Zealand | (NZ$) | 2.4898 | -0.0053 | 878 - 918 | 2.4988 | 2.4823 | 2.493 | -1.5 | 2.4968 | -1.1 | 2.4974 | -0.3 | 108.1 |
| Philippines | (Peso) | 51.2566 | +0.3467 | 644 - 488 | 52.4062 | 51.1589 | 51.4164 | -3.7 | 51.8659 | -3.2 | 52.7229 | -2.9 | - |
| Saudi Arabia | (SR) | 5.9499 | +0.0109 | 483 - 519 | 5.9565 | 5.9203 | 5.9464 | 0.7 | 5.938 | 0.8 | 5.9015 | 0.8 | - |
| Singapore | (S$) | 2.4002 | -0.0004 | 972 - 032 | 2.4324 | 2.3967 | 2.3956 | 2.3 | 2.3855 | 2.4 | 2.3373 | 2.6 | - |
| South Africa | (R) | 7.4609 | +0.02 | 566 - 651 | 7.4688 | 7.4212 | 7.5216 | -9.8 | 7.6395 | -9.8 | 8.0764 | -8.3 | - |
| South Korea | (Won) | 1438.07 | +5.79 | 374 - 240 | 1442.40 | 1431.07 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 45.3949 | +0.0275 | 041 - 856 | 45.4915 | 45.2477 | 45.3783 | 0.4 | 45.3386 | 0.5 | 45.1409 | 0.6 | - |
| Thailand | (Bt) | 59.8667 | +0.2678 | 750 - 984 | 60.2990 | 49.5080 | 60.2233 | -6.7 | 60.6849 | -5.3 | 61.7151 | -3.1 | - |

† Rates for Sep 3. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Sep 4 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J P Morgan Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 12.7948 | -0.0019 | 922 - 973 | 12.8450 | 12.7325 | 12.7708 | 2.3 | 12.7219 | 2.3 | 12.4978 | 2.3 | 101.5 |
| Belgium | (BFr) | 37.5505 | +0.003 | 280 - 730 | 37.7040 | 37.3610 | 37.4755 | 2.4 | 37.324 | 2.4 | 36.6305 | 2.3 | 101.8 |
| Denmark | (DKr) | 6.9228 | -0.0006 | 218 - 238 | 6.9500 | 6.8910 | 6.9111 | 2.0 | 6.8868 | 2.1 | 6.7804 | 2.1 | 103.3 |
| Finland | (FM) | 5.4455 | -0.018 | 429 - 481 | 5.4803 | 5.4305 | 5.434 | 2.5 | 5.4104 | 2.6 | 5.3165 | 2.4 | 80.2 |
| France | (FFr) | 6.1177 | -0.0013 | 157 - 196 | 6.1439 | 6.0905 | 6.1062 | 2.3 | 6.0823 | 2.3 | 5.9735 | 2.4 | 103.9 |
| Germany | (DM) | 1.8182 | -0.0002 | 179 - 185 | 1.8260 | 1.8096 | 1.8144 | 2.5 | 1.8066 | 2.6 | 1.7719 | 2.6 | 102.2 |
| Greece | (Dr) | 286.465 | +0.32 | 410 - 520 | 287.750 | 285.430 | 287.76 | -5.4 | 289.815 | -4.7 | 296.965 | -3.7 | 64.9 |
| Ireland | (I£) | 1.4695 | +0.0065 | 685 - 705 | 1.4753 | 1.4616 | 1.4688 | 0.6 | 1.4678 | 0.5 | 1.4662 | 0.1 | - |
| Italy | (L) | 1771.50 | -3.4 | 100 - 200 | 1778.52 | 1766.14 | 1773.27 | -1.2 | 1776.28 | -1.1 | 1779.7 | -0.5 | 75.9 |
| Luxembourg | (LFr) | 37.5505 | +0.003 | 280 - 730 | 37.7040 | 37.3610 | 37.4755 | 2.4 | 37.324 | 2.4 | 36.6305 | 2.5 | 101.6 |
| Netherlands | (Fl) | 2.0484 | - | 480 - 487 | 2.0573 | 2.0387 | 2.0442 | 2.5 | 2.0356 | 2.5 | 1.9979 | 2.5 | 101.0 |
| Norway | (NKr) | 7.5082 | -0.011 | 072 - 092 | 7.5515 | 7.4835 | 7.4938 | 2.3 | 7.4653 | 2.3 | 7.3538 | 2.1 | 98.1 |
| Portugal | (Es) | 184.365 | +0.165 | 300 - 430 | 185.100 | 183.100 | 184.329 | 0.2 | 184.276 | 0.2 | 183.105 | 0.7 | 92.7 |
| Spain | (Pta) | 153.350 | -0.025 | 300 - 400 | 154.020 | 152.690 | 153.305 | 0.4 | 153.13 | 0.6 | 151.955 | 0.9 | 76.4 |
| Sweden | (SKr) | 7.8664 | -0.0048 | 626 - 701 | 7.9042 | 7.8480 | 7.8573 | 1.4 | 7.838 | 1.4 | 7.764 | 1.3 | 85.8 |
| Switzerland | (SFr) | 1.4985 | -0.003 | 980 - 990 | 1.5042 | 1.4945 | 1.4931 | 4.3 | 1.4825 | 4.3 | 1.437 | 4.1 | 105.2 |
| UK | (£) | 1.5864 | +0.0029 | 860 - 868 | 1.5882 | 1.5785 | 1.5844 | 1.5 | 1.5805 | 1.5 | 1.5642 | 1.4 | 100.4 |
| Ecu | - | 1.0802 | +0.0003 | 798 - 805 | 1.0834 | 1.0751 | 1.0817 | -1.6 | 1.0849 | -1.7 | 1.1004 | -1.9 | - |
| SDR† | - | 0.740593 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9998 | - | 998 - 998 | 0.9998 | 0.9998 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.0923 | +0.0005 | 922 - 924 | 1.0925 | 1.0927 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3855 | +0.0024 | 852 - 857 | 1.3870 | 1.3839 | 1.3823 | 2.7 | 1.3766 | 2.6 | 1.356 | 2.1 | 85.0 |
| Mexico | (New Peso) | 7.7825 | +0.014 | 800 - 850 | 7.7850 | 7.7750 | 7.891 | -16.7 | 8.102 | -16.4 | 9.0125 | -15.8 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 107.1 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.3651 | -0.0098 | 643 - 659 | 1.3706 | 1.3640 | 1.3645 | 0.5 | 1.3627 | 0.7 | 1.3543 | 0.8 | 94.1 |
| Hong Kong | (HK$) | 7.7475 | +0.0006 | 470 - 480 | 7.7487 | 7.7455 | 7.748 | -0.1 | 7.7489 | -0.1 | 7.7511 | 0.0 | - |
| India | (Rs) | 36.5400 | +0.02 | 300 - 500 | 36.5850 | 36.5150 | 36.6775 | -4.5 | 36.9825 | -4.6 | 38.175 | -4.5 | - |
| Israel | (Shk) | 3.5228 | +0.0063 | 178 - 277 | 3.5280 | 3.5150 | - | - | - | - | - | - | - |
| Japan | (Y) | 120.925 | -0.165 | 880 - 970 | 121.430 | 120.250 | 120.41 | 5.1 | 119.41 | 5.0 | 115.11 | 4.8 | 129.4 |
| Malaysia | (M$) | 2.9838 | +0.0018 | 800 - 875 | 3.0520 | 2.9725 | 2.9883 | -1.8 | 2.9973 | -1.8 | 3.0273 | -1.5 | - |
| New Zealand | (NZ$) | 1.5685 | -0.0082 | 666 - 704 | 1.5726 | 1.5681 | 1.5703 | -0.8 | 1.5727 | -0.8 | 1.5828 | -0.8 | - |
| Philippines | (Peso) | 32.3100 | +0.16 | 600 - 600 | 33.2000 | 32.2000 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7506 | - | 505 - 506 | 3.7506 | 3.7505 | 3.7513 | -0.2 | 3.7523 | -0.2 | 3.7569 | -0.2 | - |
| Singapore | (S$) | 1.5130 | -0.003 | 115 - 145 | 1.5325 | 1.5107 | 1.5112 | 1.4 | 1.5074 | 1.5 | 1.488 | 1.7 | - |
| South Africa | (R) | 4.7030 | +0.004 | 015 - 045 | 4.7070 | 4.7010 | 4.7436 | -10.3 | 4.823 | -10.2 | 5.1255 | -9.0 | - |
| South Korea | (Won) | 906.500 | +2 | 000 - 000 | 909.500 | 903.800 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 28.6150 | -0.035 | 850 - 650 | 28.6670 | 28.5560 | 28.626 | -0.5 | 28.635 | -0.3 | 28.7275 | -0.4 | - |
| Thailand | (Bt) | 37.7500 | +0.1 | 000 - 000 | 38.3000 | 31.2000 | 38.195 | -14.1 | 38.9 | -12.2 | 40.13 | -6.3 | - |

† SDR rate per $ for Sep 3. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 3: Base average 1990=100. The exchange rates printed in this table are also available on the internet at http://www.FT.com

## WORLD INTEREST RATES

### MONEY RATES

| September 4 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 3¼ | 3⅜ | 3 13/32 | 3 13/32 | 3⅝ | 6.00 | 2.50 | - |
| France | 3⅛ | 3¼ | 3 11/32 | 3 13/32 | 3 11/16 | 3.10 | - | 4.75 |
| Germany | 3 3/32 | 3 3/16 | 3⅜ | 3½ | 3⅝ | 4.50 | 2.50 | 3.00 |
| Ireland | 6¾ | 6¼ | 6¼ | 6⅜ | 6⅝ | - | - | 6.75 |
| Italy | 6 27/32 | 6 25/32 | 6⅝ | 6 17/32 | 6½ | 7.75 | 6.25 | 6.79 |
| Netherlands | 3¼ | 3⅜ | 3⅜ | 3½ | 3 21/32 | - | 2.50 | 3.00 |
| Switzerland | 1⅛ | 1⅜ | 1⅜ | 1 3/16 | 1 9/16 | - | 1.00 | - |
| US | 5 17/32 | 5 9/16 | 5 21/32 | 5 23/32 | 6 1/16 | - | 5.00 | - |
| Japan | 3/8 | 17/32 | 1/2 | 5/8 | 11/16 | - | 0.50 | - |
| ■ $ LIBOR FT London | | | | | | | | |
| Interbank Fixing | - | 5 21/32 | 5 21/32 | 5 25/32 | 6 1/16 | - | - | - |
| US Dollar CDs | - | 5.44 | 5.48 | 5.57 | 5.75 | - | - | - |
| ECU Linked Ds | - | 4⅜ | 4¼ | 4 11/32 | 4½ | - | - | - |
| SDR Linked Ds | - | 3 17/32 | 3⅝ | 3 21/32 | 3¾ | - | - | - |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Sep 4 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 3½ - 3⅜ | 3 9/16 - 3 7/16 | 3⅝ - 3½ | 3¾ - 3⅝ | 3 29/32 - 3 25/32 | 3 31/32 - 3 13/16 |
| Danish Krone | 3 13/32 - 3¼ | 3 7/16 - 3 13/32 | 3⅝ - 3½ | 3 11/16 - 3 9/16 | 3 27/32 - 3 11/16 | 4 1/32 - 3 15/16 |
| German Mark | 3 3/32 - 3 1/32 | 3⅛ - 3 | 3 7/32 - 3 3/32 | 3 11/32 - 3 7/32 | 3½ - 3⅜ | 3 11/16 - 3 9/16 |
| Dutch Guilder | 3¼ - 3⅛ | 3 5/16 - 3 3/16 | 3 13/32 - 3 9/32 | 3 7/16 - 3 5/16 | 3 9/16 - 3 7/16 | 3 25/32 - 3 21/32 |
| French Franc | 3 7/32 - 3⅛ | 3¼ - 3⅛ | 3 5/16 - 3 3/16 | 3⅜ - 3 9/32 | 3½ - 3 13/32 | 3 23/32 - 3⅝ |
| Portuguese Esc. | 5 13/16 - 3 15/16 | 5 13/16 - 5 11/16 | 5½ - 5 7/16 | 5 13/32 - 5 11/32 | 5 13/32 - 5⅜ | 5 9/32 - 5¼ |
| Spanish Peseta | 5¼ - 5 3/16 | 5 9/32 - 5 7/32 | 5 11/32 - 5¼ | 5¼ - 5 5/32 | 5 3/16 - 5 7/32 | 5 5/16 - 5 1/16 |
| Sterling | 6 13/16 - 6 11/16 | 7 - 6 13/16 | 7⅛ - 7 1/16 | 7¼ - 7 3/16 | 7⅜ - 7 5/16 | 7 17/32 - 7 13/32 |
| Swiss Franc | 1½ - 1 | 1¼ - 1 | 1 7/16 - 1 5/16 | 1 7/16 - 1 5/16 | 1⅝ - 1½ | 1 25/32 - 1 23/32 |
| Canadian Dollar | 3⅜ - 3¼ | 3⅜ - 3 5/16 | 3 7/16 - 3¼ | 3⅝ - 3½ | 3 29/32 - 3 25/32 | 4⅜ - 4¼ |
| US Dollar | 5 19/32 - 5 15/32 | 5 9/16 - 5 7/16 | 5 21/32 - 5 9/16 | 5 11/16 - 5 9/16 | 5 13/16 - 5 23/32 | 6 - 5⅞ |
| Italian Lira | 7 7/16 - 6 7/16 | 6 27/32 - 6¾ | 6⅞ - 6 25/32 | 6 25/32 - 6 23/32 | 6 21/32 - 6 19/32 | 6 7/16 - 6⅜ |
| Japanese Yen | ½ - 15/32 | 17/32 - ½ | 19/32 - 19/32 | 19/32 - 9/16 | 19/32 - 9/16 | 13/32 - 13/32 |
| Asian $Sing | 1⅞ - 1¾ | 3⅞ - 3¾ | 3 15/16 - 3 13/16 | 4 1/16 - 3 15/16 | 4⅛ - 4 | 4 1/16 - 3 15/16 |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 96.56 | 96.57 | +0.01 | 96.57 | 96.56 | 4,002 | 54,520 |
| Dec | 95.37 | 96.39 | +0.02 | 96.39 | 96.36 | 5,623 | 36,105 |
| Mar | 96.22 | 96.23 | +0.01 | 96.24 | 96.21 | 326 | 29,307 |

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 96.67 | 96.68 | +0.01 | 96.68 | 96.66 | 21809 | 218828 |
| Dec | 95.42 | 96.45 | +0.02 | 96.46 | 96.42 | 25640 | 284230 |
| Mar | 96.23 | 96.26 | +0.01 | 96.30 | 96.23 | 24592 | 273292 |
| Jun | 96.03 | 96.06 | +0.02 | 96.07 | 96.02 | 25104 | 210816 |

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 96.78 | 96.78 | +0.03 | 96.78 | 96.77 | 125 | 348 |
| Oct | | 96.70 | +0.01 | | | 0 | 265 |
| Nov | | 96.66 | +0.01 | | | 0 | 60 |
| Dec | | 96.44 | - | | | 0 | 700 |

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 93.18 | 93.19 | -0.02 | 93.19 | 93.17 | 9152 | 83571 |
| Dec | 93.57 | 93.56 | -0.02 | 93.59 | 93.52 | 18572 | 96254 |
| Mar | 93.97 | 93.98 | - | 94.01 | 93.92 | 13231 | 61897 |
| Jun | 94.27 | 94.28 | - | 94.31 | 94.23 | 12269 | 47287 |

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 98.54 | 98.53 | -0.02 | 98.55 | 98.52 | 3461 | 52427 |
| Dec | 98.27 | 98.25 | -0.03 | 98.27 | 98.22 | 8594 | 59965 |
| Mar | 98.09 | 98.06 | -0.03 | 98.09 | 98.03 | 2558 | 28650 |
| Jun | 97.85 | 97.83 | -0.04 | 97.85 | 97.82 | 1761 | 12259 |

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | | 99.42 | - | | | 0 | na |
| Dec | | 99.40 | - | | | 0 | na |
| Mar | | 99.34 | -0.01 | | | 0 | na |

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.63 | 95.62 | -0.01 | 95.63 | 95.62 | 372 | 10048 |
| Dec | 95.53 | 95.53 | -0.01 | 95.55 | 95.52 | 346 | 10382 |
| Mar | 95.47 | 95.48 | - | 96.48 | 95.47 | 65 | 6328 |
| Jun | 95.40 | 95.41 | - | 95.40 | 95.40 | 20 | 3525 |

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

| Strike Price | Calls Sep | Calls Dec | Calls Mar | Puts Sep | Puts Dec | Puts Mar |
|---|---|---|---|---|---|---|
| 9300 | 0.19 | 0.60 | 1.03 | 0.01 | 0.04 | 0.05 |
| 9325 | 0.02 | 0.39 | 0.81 | 0.09 | 0.08 | 0.08 |
| 9350 | 0.01 | 0.22 | 0.60 | 0.33 | 0.18 | 0.12 |

Est. vol. total, Calls 9846 Puts 2620. Previous day's open int., Calls 154460 Puts 72095

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Sep 4 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.44 | 16.29 | 4.842 | 1.812 | 4718 | 5.455 | 19.99 | 491.0 | 408.4 | 20.95 | 3.991 | 1.679 | 3.690 | 2.663 | 322.0 | 2.465 |
| Denmark | (DKr) | 54.24 | 10 | 8.837 | 2.626 | 0.983 | 2559 | 2.959 | 10.85 | 266.3 | 221.5 | 11.36 | 2.165 | 0.911 | 2.001 | 1.445 | 174.7 | 1.337 |
| France | (FFr) | 61.38 | 11.32 | 10 | 2.972 | 1.112 | 2896 | 3.348 | 12.27 | 301.4 | 250.7 | 12.86 | 2.449 | 1.030 | 2.265 | 1.635 | 197.7 | 1.513 |
| Germany | (DM) | 20.65 | 3.808 | 3.365 | 1 | 0.374 | 974.3 | 1.127 | 4.129 | 101.4 | 84.34 | 4.326 | 0.824 | 0.347 | 0.762 | 0.550 | 66.51 | 0.509 |
| Ireland | (I£) | 55.18 | 10.17 | 8.990 | 2.672 | 1 | 2603 | 3.010 | 11.03 | 270.9 | 225.3 | 11.56 | 2.202 | 0.926 | 2.036 | 1.470 | 177.7 | 1.360 |
| Italy | (L) | 2.120 | 0.391 | 0.345 | 0.103 | 0.038 | 100 | 0.116 | 0.424 | 10.41 | 8.657 | 0.444 | 0.085 | 0.036 | 0.078 | 0.056 | 6.826 | 0.052 |
| Netherlands | (Fl) | 18.33 | 3.380 | 2.987 | 0.888 | 0.332 | 864.9 | 1 | 3.665 | 90.00 | 74.86 | 3.840 | 0.732 | 0.308 | 0.676 | 0.488 | 59.03 | 0.452 |
| Norway | (NKr) | 50.01 | 9.220 | 8.146 | 2.422 | 0.906 | 2358 | 2.728 | 10 | 245.6 | 204.2 | 10.48 | 1.996 | 0.840 | 1.845 | 1.332 | 161.1 | 1.233 |
| Portugal | (Es) | 20.37 | 3.755 | 3.318 | 0.986 | 0.369 | 960.9 | 1.111 | 4.072 | 100 | 83.19 | 4.267 | 0.813 | 0.342 | 0.752 | 0.542 | 65.59 | 0.502 |
| Spain | (Pta) | 24.49 | 4.514 | 3.989 | 1.186 | 0.444 | 1155 | 1.336 | 4.896 | 120.2 | 100 | 5.130 | 0.977 | 0.411 | 0.903 | 0.652 | 78.86 | 0.604 |
| Sweden | (SKr) | 47.74 | 8.800 | 7.777 | 2.311 | 0.865 | 2252 | 2.604 | 9.545 | 234.4 | 194.9 | 10 | 1.905 | 0.801 | 1.761 | 1.271 | 153.7 | 1.177 |
| Switzerland | (SFr) | 25.06 | 4.620 | 4.083 | 1.213 | 0.454 | 1182 | 1.367 | 5.010 | 123.0 | 102.3 | 5.250 | 1 | 0.421 | 0.925 | 0.667 | 80.70 | 0.619 |
| UK | (£) | 59.57 | 10.98 | 9.705 | 2.884 | 1.080 | 2810 | 3.250 | 11.91 | 292.5 | 243.3 | 12.48 | 2.377 | 1 | 2.198 | 1.586 | 191.9 | 1.469 |
| Canada | (C$) | 27.10 | 4.997 | 4.418 | 1.312 | 0.491 | 1279 | 1.478 | 5.419 | 133.1 | 110.7 | 5.678 | 1.082 | 0.455 | 1 | 0.722 | 87.28 | 0.668 |
| USA | ($) | 37.55 | 6.923 | 6.118 | 1.818 | 0.681 | 1772 | 2.048 | 7.508 | 184.4 | 153.4 | 7.866 | 1.499 | 0.630 | 1.386 | 1 | 120.9 | 0.926 |
| Japan | (Y) | 31.05 | 5.725 | 5.059 | 1.504 | 0.563 | 1465 | 1.694 | 6.209 | 152.5 | 126.8 | 6.505 | 1.239 | 0.521 | 1.146 | 0.827 | 100 | 0.766 |
| Ecu | - | 40.56 | 7.478 | 6.608 | 1.964 | 0.735 | 1914 | 2.213 | 8.110 | 199.2 | 165.6 | 8.497 | 1.019 | 0.681 | 1.497 | 1.080 | 130.6 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.5497 | 0.5492 | -0.0004 | 0.5531 | 0.5481 | 23,910 | 91,107 |
| Dec | 0.5530 | 0.5526 | - | 0.5552 | 0.5520 | 6,099 | 15,775 |
| Mar | 0.5556 | 0.5557 | -0.0002 | 0.5557 | 0.5556 | 7 | 1,640 |

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.8247 | 0.8264 | -0.0012 | 0.8326 | 0.8246 | 28,359 | 96,515 |
| Dec | 0.8405 | 0.8388 | -0.0018 | 0.8430 | 0.8368 | 4,275 | 14,937 |
| Mar | - | 0.8497 | - | - | - | 1 | 803 |

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.6665 | 0.6666 | -0.0001 | 0.6696 | 0.6653 | 10,263 | 48,266 |
| Dec | 0.6738 | 0.6733 | -0.0005 | 0.6750 | 0.6733 | 870 | 5,417 |
| Mar | - | 0.6809 | +0.0001 | 0.6809 | - | 1 | 1,061 |

■ **STERLING FUTURES** (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 1.5840 | 1.5848 | +0.0004 | 1.5868 | 1.5784 | 8,966 | 43,722 |
| Dec | 1.5782 | 1.5790 | +0.0008 | 1.5796 | 1.5722 | 1,699 | 6,185 |
| Mar | - | 1.5719 | - | 1.5720 | 1.5680 | 1 | 218 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Sep 4 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 7½ - 6½ | 7 1/16 - 6⅞ | 7⅛ - 7 | 7 5/16 - 7 3/16 | 7 7/16 - 7 5/16 | 7 9/16 - 7 7/16 |
| Sterling CDs | - | - | 7⅛ - 7 1/16 | 7 9/32 - 7⅛ | 7 13/32 - 7 9/32 | 7 7/16 - 7⅜ |
| Treasury Bills | - | - | 6 31/32 - 6 15/16 | 7 - 6⅞ | - | - |
| Bank Bills | - | - | 6 15/16 - 6 13/16 | 6 31/32 - 6 27/32 | 7⅛ - 7 1/16 | - |
| Local authority deps. | 7 - 6⅞ | 7 - 6⅞ | 7 3/32 - 7 1/32 | 7¼ - 7⅛ | 7 11/32 - 7 9/32 | 7 7/16 - 7⅜ |
| Discount Market deps | 7 - 6⅞ | 6⅞ - 6¾ | - | - | - | - |

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 2½ | 5½ | 5 | 5 | 4¾ |

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Aug 29, 6.9241pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 29, 1997. Agreed rate for period Sep 24, 1997 to Oct 25, 1997, Scheme III 8.50pc. Reference rate for period Aug 1, 1997 to Aug 29, 1997, Schemes IV & V 7.229pc. Finance House Base Rate 7½pc from Sep 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 92.73 | 92.73 | -0.01 | 92.74 | 92.72 | 9304 | 101659 |
| Dec | 92.59 | 92.59 | -0.01 | 92.61 | 92.57 | 14587 | 129634 |
| Mar | 92.57 | 92.58 | - | 92.58 | 92.55 | 11068 | 107280 |
| Jun | 92.61 | 92.61 | -0.01 | 92.62 | 92.59 | 8227 | 74474 |
| Sep | 92.68 | 92.68 | -0.01 | 92.69 | 92.67 | 5944 | 57454 |

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

| Strike Price | Calls Sep | Calls Dec | Calls Mar | Puts Sep | Puts Dec | Puts Mar |
|---|---|---|---|---|---|---|
| 9250 | 0.23 | 0.17 | 0.23 | 0 | 0.08 | 0.15 |
| 9275 | 0.02 | 0.05 | 0.10 | 0.04 | 0.21 | 0.27 |
| 9300 | 0 | 0.01 | 0.04 | 0.27 | 0.42 | 0.46 |

Est. vol. total, Calls 1732 Puts 1278. Previous day's open int., Calls 206284 Puts 213256

### EMS EUROPEAN CURRENCY UNIT RATES

| Sep 4 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Ireland | 0.798709 | 0.736031 | -0.002473 | -7.85 | 11.34 | 53 |
| Italy | 1906.48 | 1918.64 | -4.3 | 0.64 | 1.95 | -5 |
| Finland | 5.85424 | 5.90354 | -0.02139 | 0.84 | 1.74 | -6 |
| Portugal | 197.398 | 199.605 | -0.145 | 1.12 | 1.46 | -8 |
| Spain | 163.826 | 166.040 | -0.132 | 1.35 | 1.23 | -9 |
| Denmark | 7.34555 | 7.49802 | -0.00438 | 2.08 | 0.51 | -14 |
| Netherlands | 2.16979 | 2.21866 | -0.00122 | 2.25 | 0.34 | -17 |
| Germany | 1.92573 | 1.96847 | -0.00109 | 2.27 | 0.32 | -22 |
| Austria | 13.5485 | 13.8592 | -0.0083 | 2.29 | 0.30 | -17 |
| Belgium | 39.7191 | 40.6672 | -0.0209 | 2.39 | 0.21 | -17 |
| France | 6.45863 | 6.62648 | -0.00426 | 2.60 | 0.00 | -22 |
| NON ERM MEMBERS | | | | | | |
| Greece | 295.269 | 310.392 | +0.264 | 5.12 | -2.40 | - |
| UK | 0.793103 | 0.683906 | +0.003535 | -13.77 | 18.88 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

| Strike Price | Calls Sep | Calls Oct | Calls Nov | Puts Sep | Puts Oct | Puts Nov |
|---|---|---|---|---|---|---|
| 1.580 | 1.20 | 2.10 | 2.80 | 0.71 | 1.78 | 2.69 |
| 1.585 | 0.71 | 1.62 | 2.39 | 1.23 | 2.31 | 3.24 |
| 1.590 | 0.43 | 1.23 | 1.98 | 1.60 | 2.87 | 3.83 |

Previous day's vol., Calls 5,646 Puts 1,436 . Prev. day's open int., Calls 36,857 Puts 38,093

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

| Strike Price | Calls Sep | Calls Oct | Calls Nov | Puts Sep | Puts Oct | Puts Nov |
|---|---|---|---|---|---|---|
| 0.545 | 0.75 | 1.19 | 1.53 | 0.22 | 0.53 | 0.78 |
| 0.550 | 0.44 | 0.90 | 1.25 | 0.41 | 0.74 | 1.00 |
| 0.555 | 0.25 | 0.66 | 1.02 | 0.71 | 1.01 | 1.24 |

Previous day's vol., Calls 2,243 Puts 885 . Prev. day's open int., Calls 22,725 Puts 20,432

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.27 | 94.26 | -0.01 | 94.27 | 94.26 | 43,537 | 447,700 |
| Dec | 94.09 | 94.08 | -0.01 | 94.09 | 94.08 | 54,198 | 515,238 |
| Mar | 94.00 | 93.99 | -0.02 | 94.00 | 93.98 | 48,410 | 387,126 |

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.00 | 95.00 | - | 95.00 | 94.99 | 968 | 5,680 |
| Dec | 94.84 | 94.84 | +0.01 | 94.84 | 94.84 | 230 | 2,853 |
| Mar | - | 94.79 | - | - | - | 82 | 1,288 |

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

| Strike Price | Calls Sep | Calls Oct | Calls Nov | Calls Dec | Puts Sep | Puts Oct | Puts Nov | Puts Dec |
|---|---|---|---|---|---|---|---|---|
| 9625 | 0.43 | 0.22 | 0.24 | 0.25 | 0 | 0.02 | 0.04 | 0.06 |
| 9650 | 0.18 | 0.08 | 0.08 | 0.09 | 0 | 0.11 | 0.13 | 0.14 |
| 9675 | 0.01 | 0.01 | 0.02 | 0.02 | 0.08 | 0.31 | 0.32 | 0.32 |
| 9700 | 0 | 0 | 0 | 0 | 0.32 | 0.55 | 0.55 | 0.55 |
| 9725 | 0 | 0 | 0 | 0 | 0.57 | 0.80 | 0.80 | 0.80 |

Est. vol. total, Calls 19382 Puts 29675. Previous day's open int., Calls 382089 Puts 284965

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

| Strike Price | Calls Sep | Calls Dec | Calls Mar | Puts Sep | Puts Dec | Puts Mar |
|---|---|---|---|---|---|---|
| 9875 | 0.01 | 0.03 | 0.04 | 0.23 | 0.53 | 0.73 |
| 9900 | 0 | 0.01 | 0.02 | 0.47 | 0.79 | 0.96 |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4425 Puts 3930

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 7.00 | Duncan Lawrie | 7.00 | Scottish Widows Bank | 7.00 |
| Allied Irish Bank (GB) | 7.00 | Exeter Bank Limited | 8.00 | ●Singer & Friedlander | 7.00 |
| ●Henry Ansbacher | 7.00 | Financial & Gen Bank | 8.00 | ●Smith & Williamson Secs | 7.00 |
| Bank of Baroda | 7.00 | ●Robert Fleming & Co | 7.00 | Sun Banking Corp Ltd | 7.00 |
| Banco Bilbao Vizcaya | 7.00 | ●Guinness Mahon | 7.00 | TSB | 7.00 |
| Bank of Cyprus | 7.00 | Habib Bank AG Zurich | 7.00 | United Bank of Kuwait | 7.00 |
| Bank of Ireland | 7.00 | ●Hambros Bank | 7.00 | Unity Trust Bank Plc | 7.00 |
| Bank of India | 7.00 | Heritable & Gen Inv Bk | 7.00 | Whiteaway Laidlaw | 7.00 |
| Bank of Scotland | 7.00 | C. Hoare & Co | 7.00 | Yorkshire Bank | 7.00 |
| Barclays Bank | 7.00 | Hongkong & Shanghai | 7.00 | | |
| Brit Bk of Mid East | 7.00 | Investec Bank (UK) Ltd | 7.00 | | |
| ●Brown Shipley & Co Ltd | 7.00 | Julian Hodge Bank | 7.00 | | |
| Citibank NA | 7.00 | ●Leopold Joseph & Sons | 7.00 | | |
| Clydesdale Bank | 7.00 | Lloyds Bank | 7.00 | | |
| The Co-operative Bank | 7.00 | Midland Bank | 7.00 | | |
| Coutts & Co | 7.00 | NatWestminster | 7.00 | | |
| Cyprus Popular Bank | 7.00 | ●Rea Brothers | 7.00 | | |
| | | Royal Bk of Scotland | 7.00 | | |

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

# Zinc volatile after backwardation move

MARKETS REPORT

By Kenneth Gooding and Gary Mead

The London Metal Exchange's zinc market was nervous and volatile yesterday following the LME hoard's decision on Wednesday to impose a limit on the cost of rolling forward a short positioo for one day (the daily backwardation).

Speculative selling sent zinc for immediate delivery down by 2.1 per cent to $1,640 a tonne.

Traders said the market was unsettled by a 6,500 tonnes increase in LME zinc stocks, taking them to 387,275 tonnes. Much of the stock went into warehouses in Singapore and traders suggested this was zinc being delivered by Chinese smelters to help cover their short positions.

The Chinese were the targets of the squeeze after they sold short – sold zinc they did not own in the expectation that the price would fall and they could cover their obligetions at a lower level. The squeeze remained in evidence yesterday and the premium for zinc for immediate delivery over three-month metal was only slightly reduced, from more than $180 a tonne early yesterday to $170.

Jim Lennon, analyst at Macquarie Bank, said the backwardation limit would have little impact in the near term. "However, the limit will provide some relief for the shorts in the market and should prevent tightness from flaring later in the month."

News that Indonesia's main coffee-growing areas have received some rain, ending a long drought, helped depress coffee futures on Liffe yesterday. The November contract closed $20 lower at $1,670 a tonne.

Profit-takers on Liffe decided that tha rainfall – in the regioo where 80 per cent of Indonesia's robusta coffee is produced – might be enough to allay the worst fears expressed in the past two weeks, with some analysts suggesting the next harvest might be as much as 50 per cent lower.

# Anglo takes technology to new depths

Anglo American Corporation of South Africa is considering digging the deepest mine ever, at 5,000 metres, or 16,400 feet. One of the many technical challenges it faces is that it will need a rope that will haul people and rocks up and down a shaft at least 4,000 metres (13,100 feet) deep.

Whatever material a rope is made from, eventually it breaks under its own weight. Anglo's rope will also have to cope with acceleration and braking and sideways movement as it is wound up and down from a beadframe above the shaft.

Once the problem of getting up and down the mine is solved, new methods of working safely have to be worked out. Will it be possible to keep the temperature low enough? Rock at that depth is under tremendous pressure and liable to burst without warning. How can people be kept safe?

Anglo, with various partners, is working hard to come up with the answers because it believes there is so much gold deep in South Africa's Witwatersrand basin it cannot be ignored.

The basin is a unique resource, 350km long and 200km wide, with some of the world's biggest gold deposits around its periphery. The Witwatersrand has heen mined for more than 100 years and 46,000 tonnes (1.48bn troy ounces) of gold have been dug out of it so far. But it is hy no means exhausted. Anglo estimates 20,000 tonnes – enough to meet world demand for five years – remain to be mined.

It reckons 1,500 tonnes are in an area known as Western Ultra Deep Levels at depths of 5,000 metres. More importantly, it believes the ore contains at least 10 grams of gold per tonne, nearly double the industry average.

Anglo is spending more than R1bn ($213m) by 2004 to deepen its Western Deep Levels mine, adjacent to Ultra Deeps, by 670 metres to a record 3,841 metres. Sinking a new shaft to 5,000 metres would not be economic unless new techniques are employed.

It has to develop those techniques itself, because really deep mining takes place only in South Africa. Many of these mines date from the 1970s and, because of winding and rope constraints, had to have a main shaft and two sub-shafts. The cost was daunting, and would be untenable today.

Ian Cockerill, technical director for Anglo's gold division, says the main problem is the time it takes to construct a three-shaft system. Sinking a 4,000 metre shaft and one sub shaft would cut 12 to 18 months from construction time and the time before cash begins to flow. "On a R5bn project, that makes for much better returns," he points out.

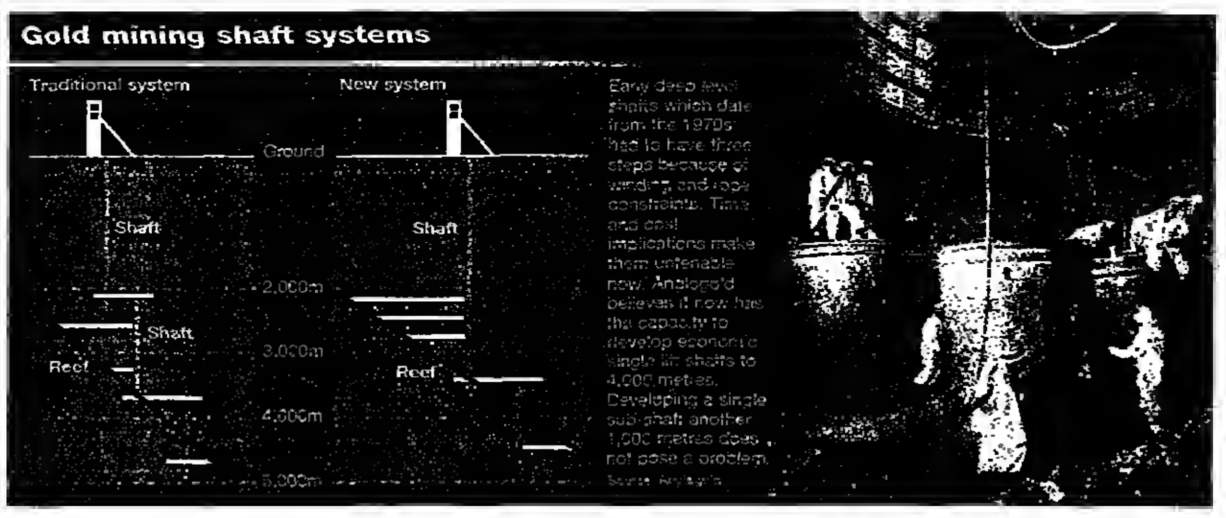
With present rope construction, 2,800 metres is the maximum economic length, "but we think we can go to 4,000 metres and still carry a reasonable load," he says. Following work witb Cegelec, an offshoot of GEC of the US, and Vecor, a South African company, Anglo has patented a system that monitors and smoothes the dynamic loading on the rope during acceleration, braking and sideways movements.

Once underground, Anglo would use a new ground peoetrating radar system, developed with South Africa's Council for Scientific and Industrial Research, and called RockRadar. This gives a far richer picture of rock structure than conventional radar and can probe up to 60 metres ahead of the mining face. This system enables bazardous features ahead of the mine face to he pinpointed on a daily basis.

Anglo has also developed a digital integrated seismic monitoring system designed to predict underground rock hursts (localised earthquakes), the biggest single cause of deaths and injuries in deep mines. Mr Cockerill saya these incidents play bavoc with employee morale and can set back production for months, making heavy inroads into revenue.

The system is able to identify with 90 per cent accuracy areas where tremors are likely to occur within ona month. Now research is focused on a so-called "Scram" signal that will give warnings of rock hursts seconds ahead of an incident.

Mr Cockerill says: "We want fewer people at the rock face. So there will be much more automated or semi-automated equipment. We want to see people well back from the face in an air conditioned cell that will save them from harm in the event of seismic events."




Improvements in back filling methods will also make mining at 5,000 metres a practical proposition. This system, which replaces traditional timber support methods, maintains local rock stresses at acceptable levels and reduces the aurface area of underground workings so less beat is emitted.

Navertheless, massive refrigaration will be required. At tha deapened Western Deeps mine, Anglo will spend R220m – 20 per cent of the capital cost – on 16 Israeli designed, CFC-free ice plants to cut temperatures from 55 degrees centigrade to 27 degrees.

The plants produce ice crystals from brine solutions in a vacuum at well below the freezing point of water. The resulting material, says Mr Cockerill, "looks like a dense candy floss or granulated dry ice". At 4,000 metres below ground 250 litres of ice crystals have the same cooling effect as 1,000 litres of water at 4 degrees.

None of this technology is perfect yet hnt Mr Cockerill insists: "There is no technological reason why we should not be able to mine at 5,000 metres, even though we will be stretching technology to the limits. The most important question is whether we will be able to mine profitably. If we can get the gold out for less than US$250 an ounce it will be worthwhile. If it costs more, it won't be viable."

**Kenneth Gooding**

COMMODITIES NEWS DIGEST

## Zimbabwe takes stake in Bindura

The Zimbabwe government is to pay Z$146m (US$12.26m), or Z$6.25 a share, for a 20 per cent stake in Bindura Nickel Corporation, the country's main nickel producer, owned by Anglo American Corp of South Africa. The price, published a year after the deal was announced, represents a 25 per cent premium to the market price of Z$5.

The move is part of President Robert Mugabe's strategy of "indigenising" the economy hy pressing foreign multinationals into selling stakes. The shares will not be retained hut made available to hlack investors, although precisely bow and when this will be done is not clear.

*Tony Hawkins, Harare*

■ URANIUM

## Surplus to reach 20,000 tonnes

The global surplus of mined uranium will be 20,000 tonnes a year by 2001, due to almost complete stagnation in the development of naw nuclear projects, and the continued increase of primary and secondary supplies.

A paper to be presented at today's 22nd annual symposium of the Uranium Institute will say world production in 1997 will account for 58 per cent of current requirements, with the rest coming from secondary sources. Thomas Pool, president of International Nuclear Inc, will say secondary supply will ultimately "displace primary supply" and the "outlook for high returns on large investments has become less favourable".

*Gary Mead*

■ GOLD MINING

## Further reprieve for ERP

Another reprieve has been granted to East Rand Proprietary Mines of South Africa, which employs about 6,300 and operates one of the country's oldest and deepest gold mines. ERPM was threatened with closure because of present low US dollar gold prices and production problems. However, the government says it wants the mine to remain open and is willing to reschedule repayment of debts to help. There have also been improvements and the mine and a fall in the value of the rand against the dollar that has helped the industry. A new ERPM board takes over next month and ERPM said the mine will remain open while it evaluates the business plan and formulates a long term rescue strategy in consultation with the government and unions.

*Kenneth Gooding*

■ DERIVATIVES

## Simex extends Taiwan futures

The Singapore international Monetary Exchange has obtained approval to market Simex MSCI Taiwan Index futures to US and Taiwan-based investors from September 1. Simex said the US Commodity Futures Trading Commission (CFTC) authorised the marketing of the futures to US-based investors and traders. The Taiwan Securities and Futures Commission (SFC) has also granted approval for the contracts to be marketed to Taiwanese-based users, it said. The MSCI Taiwan index was launched on January 9, 1997.

*Reuters, Singapore*

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1587-88 | 1612-13 |
| Previous | 1567-68 | 1595-96 |
| High/low | | 1620/1606 |
| AM Official | 1581-82 | 1607-08 |
| Kerb close | | 1619-20 |
| Open int. | 264,404 | |
| Total daily turnover | 64,257 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | | |
|---|---|---|
| Close | 1425-30 | 1453-55 |
| Previous | 1415-25 | 1440-50 |
| High/low | | 1455/1450 |
| AM Official | 1415-25 | 1445-50 |
| Kerb close | | 1456-58 |
| Open int. | 5,146 | |
| Total daily turnover | 2,131 | |

■ LEAD ($ per tonne)

| | | |
|---|---|---|
| Close | 630-31 | 644-46 |
| Previous | 631.5-2.5 | 646-7 |
| High/low | | 652/643 |
| AM Official | 631-2 | 645-6 |
| Kerb close | | 647-48 |
| Open int. | 32,835 | |
| Total daily turnover | 7,353 | |

■ NICKEL ($ per tonne)

| | | |
|---|---|---|
| Close | 6585-95 | 6690-95 |
| Previous | 6600-10 | 6705-15 |
| High/low | | 6750/6650 |
| AM Official | 6550-60 | 6650-55 |
| Kerb close | | 6680-85 |
| Open int. | 53,550 | |
| Total daily turnover | 8,600 | |

■ TIN ($ per tonne)

| | | |
|---|---|---|
| Close | 5385-90 | 5430-35 |
| Previous | 5350-55 | 5405-10 |
| High/low | | 5450/5410 |
| AM Official | 5365-75 | 5415-20 |
| Kerb close | | 5440-45 |
| Open int. | 14,900 | |
| Total daily turnover | 4,651 | |

■ ZINC, special high grade ($ per tonne)

| | | |
|---|---|---|
| Close | 1637-40 | 1470-71 |
| Previous | 1673-76 | 1488-89 |
| High/low | 1655/1662 | 1500/1478 |
| AM Official | 1665-66 | 1483-84 |
| Kerb close | | 1478-79 |
| Open int. | 86,237 | |
| Total daily turnover | 26,302 | |

■ COPPER, grade A ($ per tonne)

| | | |
|---|---|---|
| Close | 2142.5-44.5 | 2151-52 |
| Previous | 2131.5-33.5 | 2138.5-39.5 |
| High/low | 2138 | 2164/2140 |
| AM Official | 2138-39 | 2145-46 |
| Kerb close | | 2163-64 |
| Open int. | 136,138 | |
| Total daily turnover | 39,047 | |

■ LME AM Official £/$ rate: 1.5808
LME Closing £/$ rate: 1.5865

Spot: 1.5863 3 mths: 1.5807 6 mths: 1.5744 9 mths: 1.5685

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 96.95 | -0.20 | 97.90 | 95.70 | 1,370 | 4,571 |
| Oct | 97.60 | -0.15 | 98.00 | 96.70 | 258 | 2,479 |
| Nov | 98.15 | -0.05 | 98.50 | 96.90 | 129 | 1,551 |
| Dec | 97.95 | -0.05 | 98.80 | 96.70 | 7,078 | 23,145 |
| Jan | 97.85 | -0.05 | 97.20 | 96.90 | 40 | 782 |
| Feb | 87.60 | - | 97.00 | 96.65 | 15 | 747 |
| Total | | | | | 9,277 | 44,510 |

### PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 321.20-321.70 | | |
| Opening | 322.20-322.50 | | |
| Morning fix | 321.80 | 203.452 | 482.861 |
| Afternoon fix | 321.70 | 202.582 | 482.711 |
| Day's High | 322.20-322.60 | | |
| Day's Low | 320.70-321.00 | | |
| Previous close | 322.50-323.00 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 3.44 | 6 months | 3.36 |
| 2 months | 3.43 | 12 months | 3.43 |
| 3 months | 3.44 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 295.75 | 467.25 |
| 3 months | 299.50 | 471.50 |
| 6 months | 304.05 | 476.95 |
| 1 year | 312.95 | 487.85 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 319-321 | 201-202 |
| Maple Leaf | - | - |
| New Sovereign | 75-77 | 47-49 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 321.7 | -0.6 | - | - | - | - |
| Oct | 322.6 | -0.7 | 323.7 | 321.9 | 1,229 | 15,977 |
| Dec | 324.3 | -0.7 | 325.3 | 323.6 | 19,613 | 107k |
| Feb | 326.0 | -0.7 | 326.9 | 325.3 | 700 | 15,433 |
| Apr | 327.8 | -0.7 | 328.2 | 328.2 | 20 | 5,394 |
| Jun | 329.8 | -0.7 | 330.0 | 328.8 | 492 | 8,389 |
| Total | | | | | 23,832 | 187,914 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 416.2 | +6.5 | 420.0 | 411.0 | 1,648 | 9,850 |
| Jan | 409.2 | +6.5 | 409.5 | 404.5 | 340 | 2,918 |
| Apr | 405.2 | +6.5 | - | - | 21 | 422 |
| Jul | 401.2 | +6.5 | - | - | - | 2 |
| Total | | | | | 2,009 | 13,192 |

■ PALLADIUM NYMEX (100 Troy oz., $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 191.95 | -1.50 | 193.00 | 190.00 | 68 | 636 |
| Dec | 186.45 | -1.50 | 189.00 | 182.50 | 293 | 3,032 |
| Mar | 183.95 | -1.50 | 184.50 | 184.50 | 5 | 173 |
| Jun | 183.45 | -1.50 | - | - | - | 107 |
| Total | | | | | 382 | 3,948 |

■ SILVER COMEX (5,000 Troy oz., Cents/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 464.8 | +0.4 | 466.5 | 460.0 | 901 | 1,815 |
| Dec | 471.0 | +0.3 | 475.0 | 465.5 | 11,009 | 52,450 |
| Jan | 472.5 | -0.2 | 465.5 | 465.0 | - | 20 |
| Mar | 477.7 | +0.1 | 480.0 | 475.5 | 148 | 11,674 |
| May | 481.7 | -0.2 | 484.0 | 484.0 | 226 | 3,209 |
| Jul | 485.6 | -0.6 | 489.0 | 489.0 | 102 | 2,303 |
| Total | | | | | 12,728 | 77,438 |

### ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 19.50 | -0.11 | 19.69 | 19.42 | 34,597 | 100k |
| Nov | 19.61 | -0.13 | 19.79 | 19.55 | 13,566 | 49,093 |
| Dec | 19.70 | -0.12 | 19.84 | 19.65 | 6,898 | 53,021 |
| Jan | 19.74 | -0.12 | 19.90 | 19.74 | 2,521 | 30,523 |
| Feb | 19.75 | -0.11 | 19.67 | 19.75 | 1,105 | 15,097 |
| Mar | 19.61 | -0.05 | 19.86 | 19.61 | 373 | 10,186 |
| Total | | | | | 62,562 | 405,534 |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 18.29 | -0.08 | 18.49 | 18.29 | 13,643 | 64,979 |
| Nov | 18.43 | -0.06 | 16.60 | 18.43 | 7,915 | 36,077 |
| Dec | 18.56 | -0.04 | 18.70 | 18.56 | 1,743 | 20,548 |
| Jan | 18.62 | -0.02 | 18.76 | 18.62 | 190 | 16,646 |
| Feb | 18.72 | +0.10 | 18.72 | 18.67 | 110 | 6,961 |
| Mar | 18.59 | +0.02 | 18.62 | 18.59 | 526 | 3,316 |
| Total | | | | | n/a | n/a |

■ HEATING OIL NYMEX (42,000 US galls., c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 52.85 | -0.50 | 53.53 | 52.80 | 8,350 | 48,854 |
| Nov | 54.10 | -0.33 | 54.60 | 54.00 | 3,549 | 21,912 |
| Dec | 55.25 | -0.33 | 55.70 | 55.25 | 3,562 | 21,970 |
| Jan | 56.05 | -0.28 | 56.45 | 56.05 | 1,720 | 20,512 |
| Feb | 56.50 | -0.13 | 56.80 | 56.40 | 344 | 10,854 |
| Mar | 56.05 | -0.08 | 58.35 | 56.00 | 229 | 8,300 |
| Total | | | | | 17,966 | 145,178 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 163.25 | -0.50 | 165.25 | 163.25 | 5,598 | 13,633 |
| Oct | 165.00 | -0.75 | 167.00 | 165.00 | 4,550 | 21,923 |
| Nov | 167.25 | -0.75 | 169.00 | 167.00 | 1,423 | 11,594 |
| Dec | 169.25 | -0.50 | 170.75 | 169.25 | 408 | 16,206 |
| Jan | 170.50 | -0.50 | 172.25 | 170.75 | 353 | 10,203 |
| Feb | 170.75 | -0.50 | 172.00 | 172.00 | 70 | 6,595 |
| Total | | | | | 11,986 | 91,467 |

■ NATURAL GAS IPE (1,000 therms, pence per therm)

| | | | | | | |
|---|---|---|---|---|---|---|
| Oct | 11.000 | -0.090 | 11.110 | 11.000 | 10 | 1,265 |
| Nov | 12.930 | -0.210 | 13.100 | 12.950 | 60 | 615 |
| Total | | | | | 370 | 8,070 |

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 2.700 | -0.107 | 2.790 | 2.680 | 25,279 | 57,376 |
| Nov | 2.825 | -0.100 | 2.885 | 2.801 | 7,427 | 22,697 |
| Dec | 2.930 | -0.085 | 3.018 | 2.904 | 3,962 | 22,048 |
| Jan | 2.930 | -0.085 | 3.020 | 2.904 | 3,636 | 23,229 |
| Feb | 2.680 | -0.080 | 2.739 | 2.650 | 1,676 | 15,776 |
| Mar | 2.410 | -0.075 | 2.485 | 2.405 | 752 | 10,320 |
| Total | | | | | 45,933 | 218,457 |

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 60.50 | -2.05 | 62.95 | 60.35 | 21,651 | 46,333 |
| Nov | 57.40 | -0.96 | 58.30 | 57.25 | 8,246 | 16,091 |
| Dec | 56.80 | -0.51 | 57.15 | 56.60 | 3,015 | 14,165 |
| Jan | 56.70 | -0.43 | 56.90 | 56.70 | 897 | 12,136 |
| Feb | 57.25 | -0.18 | 57.25 | 57.25 | 404 | 3,461 |
| Mar | 58.10 | - | 58.20 | 57.90 | 140 | 4,826 |
| Total | | | | | 34,458 | 102,540 |

### GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 86.50 | -0.35 | 87.25 | 87.25 | - | 119 |
| Nov | 88.00 | -0.25 | 89.00 | 87.50 | 227 | 4,237 |
| Jan | 90.00 | -0.25 | 90.85 | 89.50 | 174 | 3,041 |
| Mar | 92.00 | -0.25 | 92.80 | 91.50 | 265 | 2,232 |
| May | 94.00 | -0.25 | 94.50 | 93.50 | 42 | 1,225 |
| Jul | 96.00 | -0.25 | 96.90 | 96.90 | 10 | 122 |
| Total | | | | | 718 | 10,978 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 371.75 | -3.00 | 376.00 | 370.50 | 4,780 | 3,692 |
| Dec | 386.25 | -3.75 | 391.75 | 386.00 | 15,233 | 68,884 |
| Mar | 399.00 | -3.75 | 403.00 | 397.00 | 2,794 | 22,047 |
| May | 400.50 | -4.25 | 405.00 | 399.50 | 418 | 3,506 |
| Jul | 393.00 | -3.50 | 398.50 | 391.00 | 383 | 8,269 |
| Dec | 403.00 | -4.00 | 409.50 | 403.00 | 16 | 987 |
| Total | | | | | 23,694 | 107,407 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 270.00 | - | 270.00 | 267.00 | 7,592 | 18,110 |
| Dec | 269.75 | -2 | 270.50 | 268.00 | 35,371 | 192,100 |
| Mar | 278.50 | -2 | 279.25 | 276.50 | 3,843 | 49,258 |
| May | 283.25 | -1.75 | 284.00 | 281.50 | 1,145 | 12,636 |
| Jul | 286.50 | -1.25 | 287.00 | 284.50 | 1,144 | 19,992 |
| Sep | 275.00 | +1 | 275.00 | 273.50 | 123 | 1,530 |
| Total | | | | | 50,355 | 303,390 |

■ BARLEY LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 80.50 | -0.25 | - | - | 14 | 19 |
| Nov | 82.00 | -0.25 | 82.60 | 81.50 | 35 | 1,092 |
| Jan | 84.00 | -0.25 | 84.75 | 84.50 | 22 | 591 |
| Mar | 86.00 | -0.25 | - | - | - | 267 |
| May | 67.75 | -0.25 | - | - | - | 23 |
| Total | | | | | 57 | 1,992 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 693.50 | +9.50 | 694.50 | 680.50 | 3,438 | 7,772 |
| Nov | 643.50 | +1.50 | 648.00 | 636.00 | 43,348 | 89,025 |
| Jan | 645.75 | +1.25 | 649.50 | 639.00 | 3,563 | 21,085 |
| Mar | 653.50 | +0.75 | 657.00 | 647.00 | 1,252 | 8,763 |
| May | 659.00 | -1.00 | 662.50 | 654.50 | 360 | 6,588 |
| Jul | 665.50 | +0.75 | 669.00 | 661.00 | 453 | 7,298 |
| Total | | | | | 52,553 | 142,437 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 22.72 | -0.08 | 22.94 | 22.64 | 6,307 | 3,237 |
| Oct | 22.87 | -0.08 | 23.10 | 22.77 | 7,597 | 20,079 |
| Dec | 23.22 | -0.02 | 23.49 | 23.11 | 13,346 | 40,349 |
| Jan | 23.49 | +0.01 | 23.63 | 23.30 | 1,409 | 10,796 |
| Mar | 23.77 | -0.03 | 23.93 | 23.65 | 199 | 7,407 |
| May | 23.96 | -0.06 | 24.00 | 23.99 | 71 | 2,889 |
| Total | | | | | 28,806 | 88,123 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 272.5 | -5.3 | 275.3 | 265.8 | 7,806 | 11,183 |
| Oct | 234.3 | +2.6 | 236.8 | 230.0 | 10,118 | 22,273 |
| Dec | 217.3 | +2.1 | 219.0 | 212.8 | 14,472 | 43,804 |
| Jan | 211.6 | +1.4 | 212.5 | 208.8 | 1,774 | 9,912 |
| Mar | 205.5 | +1.7 | 206.6 | 203.0 | 1,574 | 9,510 |
| May | 202.8 | +1.1 | 205.0 | 201.5 | 832 | 7,360 |
| Total | | | | | 37,061 | 109,401 |

■ POTATOES LIFFE (20 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 62.0 | - | - | - | - | 7 |
| Mar | 94.0 | -1.0 | - | - | - | - |
| Apr | 114.0 | -1.0 | 114.0 | 117.0 | 17 | 1,203 |
| May | 126.0 | -1.0 | - | - | - | 2 |
| Jun | 140.0 | -1.0 | - | - | - | - |
| Total | | | | | 17 | 1,212 |

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 1320 | -15 | 1349 | 1315 | 238 | 602 |
| Oct | 1440 | -40 | 1460 | 1430 | 183 | 1,712 |
| Nov | 1465 | -40 | 1480 | 1465 | 10 | 32 |
| Jan | 1450 | -45 | 1450 | 1450 | 5 | 487 |
| Total | | | | | 436 | 3,011 |

| | Close | Prev |
|---|---|---|
| BFI | 1332 | 1333 |

### PULP AND PAPER

■ PULPEX OMLX (56; 24 air dry tons)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 557.00 | +1.00 | 557.00 | 552.00 | 54 | 217 |
| Dec | 571.25 | -1.15 | 575.00 | 571.25 | 27 | 149 |
| Total | | | | | | |

FUTURES DATA
*All futures data supplied by CMS.*

**Wool**

The eastern market indicator in Australia, declining sharply in the earlier auctions last week but finishing on a steadier note, increased one cent at this week's opening auction. Each succeeding sale further increased and the indicator closed at 688 cents, up 16. The western market indicator also rose, ending with an increase of 19 cents, re-emphasising the recovery trend in Australian wool prices. British wool sold more cheaply this week at a Bradford auction, and coarser New Zealand crossbred wools also eased. Contrary movements between merino and crossbred market sectors remains a world feature.

### SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 1135 | +4 | 1132 | 1123 | 50 | 3,021 |
| Dec | 1166 | +7 | 1167 | 1148 | 1,248 | 53,050 |
| Mar | 1186 | +10 | 1188 | 1182 | 1,109 | 46,238 |
| May | 1199 | +9 | 1199 | 1184 | 55 | 23,215 |
| Jul | 1212 | +9 | 1200 | 1198 | 366 | 8,005 |
| Sep | 1224 | +10 | 1223 | 1223 | 37 | 11,738 |
| Total | | | | | 3,480 | 173,282 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 1691 | +21 | 1682 | 1674 | 23 | 176 |
| Dec | 1710 | +21 | 1715 | 1677 | 4,854 | 45,065 |
| Mar | 1740 | +23 | 1742 | 1707 | 827 | 27,329 |
| May | 1757 | +22 | 1759 | 1743 | 280 | 12,221 |
| Jul | 1774 | +22 | 1772 | 1762 | 82 | 2,863 |
| Sep | 1793 | +22 | - | - | 160 | 4,663 |
| Total | | | | | 6,025 | 108,048 |

■ COCOA (ICCO) (SDR's/tonne)

| Sep 3 | Price | Prev. day |
|---|---|---|
| Daily | 1320.52 | 1332.82 |

■ COFFEE LIFFE (5 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 1652 | -27 | 1669 | 1638 | 438 | 2,647 |
| Nov | 1670 | -20 | 1688 | 1636 | 3,871 | 20,153 |
| Jan | 1668 | -16 | 1682 | 1633 | 1,114 | 8,722 |
| Mar | 1665 | -11 | 1665 | 1622 | 167 | 2,308 |
| May | 1650 | -10 | 1670 | 1645 | 21 | 348 |
| Jul | 1650 | -10 | 1653 | 1645 | 55 | 121 |
| Total | | | | | 5,836 | 34,338 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 210.50 | +9.00 | 212.00 | 199.75 | 147 | 583 |
| Dec | 195.00 | +5.50 | 196.00 | 182.25 | 7,339 | 13,028 |
| Mar | 175.20 | +4.70 | 175.50 | 165.50 | 1,200 | 4,050 |
| May | 168.75 | +3.75 | 168.75 | 161.00 | 250 | 1,653 |
| Jul | 163.10 | +3.60 | 161.00 | 157.00 | 68 | 1,291 |
| Sep | 157.60 | +3.35 | 153.50 | 152.00 | 10 | 376 |
| Total | | | | | 9,075 | 21,154 |

■ COFFEE (ICO) (US cents/pound)

| Sep 3 | Price | Prev. day |
|---|---|---|
| Comp. daily | 142.57 | 139.17 |
| 15 day average | 130.43 | 129.79 |

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 326.1 | -1.1 | 327.0 | 325.4 | 1,506 | 10,608 |
| Dec | 324.1 | -0.5 | 324.3 | 322.8 | 537 | 6,786 |
| Mar | 325.9 | -0.8 | 326.6 | 325.3 | 604 | 10,347 |
| May | 324.6 | -0.7 | 324.7 | 324.5 | 90 | 2,432 |
| Aug | 323.6 | -0.6 | 324.0 | 323.0 | 78 | 1,055 |
| Oct | 319.6 | -0.5 | 320.6 | 320.8 | 29 | 2,540 |
| Total | | | | | 2,821 | 33,800 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 11.61 | +0.01 | 11.65 | 11.54 | 4,760 | 64,113 |
| Mar | 12.00 | -0.02 | 12.05 | 11.96 | 3,501 | 75,407 |
| May | 11.98 | - | 12.00 | 11.94 | 847 | 16,436 |
| Jul | 11.74 | +0.02 | 11.77 | 11.70 | 1,358 | 13,254 |
| Oct | 11.73 | +0.02 | 11.77 | 11.70 | 879 | 10,545 |
| Mar | 11.68 | +0.02 | - | 11.66 | 34 | 1,509 |
| Total | | | | | 11,479 | 203,403 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 72.60 | +0.53 | 73.10 | 72.30 | 709 | 6,958 |
| Dec | 73.10 | +0.52 | 73.35 | 72.50 | 6,133 | 48,423 |
| Mar | 74.40 | -0.51 | 74.55 | 73.60 | 667 | 13,454 |
| May | 74.00 | +0.28 | 75.05 | 74.35 | 397 | 5,872 |
| Jul | 75.67 | +0.27 | 76.00 | 75.40 | 361 | 5,787 |
| Oct | 75.25 | +0.05 | - | - | - | 614 |
| Total | | | | | 8,363 | 88,213 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 68.75 | +0.35 | 69.60 | 68.75 | 485 | 1,049 |
| Nov | 69.50 | -0.15 | 71.25 | 69.30 | 873 | 17,334 |
| Jan | 72.55 | -0.05 | 74.00 | 72.35 | 270 | 7,934 |
| Mar | 75.40 | -0.20 | 76.70 | 75.30 | 111 | 5,244 |
| May | 78.40 | -0.20 | 78.60 | 78.35 | 37 | 1,227 |
| Jul | 80.90 | -0.20 | 81.00 | 81.00 | 1 | 555 |
| Total | | | | | 1,787 | 33,586 |

**VOLUME DATA**
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

### INDICES

■ Reuters (Base: 18/9/31 = 100)

| Sep 4 | Sep 3 | month ago | year ago |
|---|---|---|---|
| 1934.5 | 1927.0 | 1922.2 | 1951.5 |

■ CRB Futures (Base: 1967 = 100)

| Sep 3 | Sep 2 | month ago | year ago |
|---|---|---|---|
| 244.28 | 243.66 | - | - |

■ GSCI Spot (Base: 1970 = 100)

| Sep 3 | Sep 2 | month ago | year ago |
|---|---|---|---|
| 197.64 | 197.51 | 198.00 | 201.11 |

**LME WAREHOUSE STOCKS (tonnes)**

| | | | |
|---|---|---|---|
| Aluminium | +400 | to | 702,975 |
| Aluminium alloy | -160 | to | 53,260 |
| Copper | +175 | to | 283,400 |
| Lead | +25 | to | 122,250 |
| Nickel | +90 | to | 59,070 |
| Zinc | +6,550 | to | 387,275 |
| Tin | -70 | to | 11,905 |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 67.225 | -0.300 | 67.700 | 67.175 | 4,792 | 44,358 |
| Dec | 68.825 | -0.650 | 69.825 | 68.775 | 4,622 | 25,984 |
| Feb | 71.450 | -0.575 | 72.150 | 71.425 | 1,206 | 13,924 |
| Apr | 73.875 | -0.450 | 74.200 | 73.675 | 502 | 8,557 |
| Jun | 70.250 | -0.425 | 70.750 | 70.200 | 313 | 4,866 |
| Aug | 70.075 | -0.225 | 70.500 | 70.050 | 67 | 1,180 |
| Total | | | | | 11,504 | 98,874 |

■ LEAN HOGS CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Oct | 70.225 | -1.400 | 71.600 | 70.150 | 5,068 | 17,313 |
| Dec | 67.200 | -1.350 | 68.550 | 67.000 | 2,811 | 7,780 |
| Feb | 66.050 | -1.225 | 67.200 | 65.850 | 392 | 3,529 |
| Apr | 61.950 | -1.200 | 63.200 | 61.950 | 43 | 1,600 |
| Jun | 66.775 | -1.025 | 67.800 | 66.600 | 15 | 938 |
| Jul | 65.425 | -0.700 | 66.050 | 65.750 | 14 | 677 |
| Total | | | | | 8,380 | 32,248 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 67.775 | -0.850 | 69.050 | 66.975 | 1,018 | 3,864 |
| Mar | 67.700 | -0.700 | 68.700 | 66.900 | 84 | 410 |
| May | 67.550 | -1.250 | 68.600 | 66.050 | 2 | 85 |
| Jul | 68.000 | -0.750 | 68.025 | 68.025 | 10 | 24 |
| Aug | 67.000 | -0.200 | 67.000 | 66.000 | 5 | 4 |
| Total | | | | | 1,118 | 4,388 |

### LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

| ■ ALUMINIUM (99.7%) LME | Oct | Jan | Oct | Jan |
|---|---|---|---|---|
| 1500 | 116 | 146 | 5 | 26 |
| 1600 | 43 | 84 | 31 | 62 |
| 1700 | 8 | 42 | 97 | 119 |
| **■ COPPER (Grade A) LME** | Oct | Jan | Oct | Jan |
| 2100 | 96 | 132 | 27 | 78 |
| 2200 | 43 | 85 | 72 | 127 |
| 2300 | 15 | 51 | 148 | 191 |
| **■ COFFEE LIFFE** | Nov | Jan | Nov | Jan |
| 1600 | 125 | 172 | 55 | 104 |
| 1650 | 98 | 147 | 78 | 129 |
| 1700 | 76 | 124 | 106 | 156 |
| **■ COCOA LIFFE** | Dec | Mar | Dec | Mar |
| 1125 | 82 | 121 | 41 | 60 |
| 1150 | 68 | 107 | 52 | 71 |
| 1175 | 56 | 94 | 65 | 83 |
| **■ BRENT CRUDE IPE** | Oct | Nov | Oct | Nov |
| 1600 | 43 | - | 8 | 42 |
| 1650 | 15 | 56 | - | - |
| 1900 | 3 | 39 | - | - |

### LONDON SPOT MARKETS

| ■ CRUDE OIL FOB (per barrel) | | +or- |
|---|---|---|
| Dubai | $17.55-7.70w | -0.270 |
| Brent Blend (dated) | $18.12-8.08 | -0.110 |
| Brent Blend (Oct) | $18.27-8.30 | -0.120 |
| W.T.I. | $19.43-9.45w | -0.175 |
| **■ OIL PRODUCTS NWE prompt delivery CIF (tonne)** | | |
| Premium Gasoline | $217-219 | +2 |
| Gas Oil | $163-164 | -1 |
| Heavy Fuel Oil | $90-92 | |
| Naphtha | $186-187 | +1 |
| Jet fuel | $180-181 | |
| Diesel | $168-170 | -2 |
| **■ NATURAL GAS (Pence/therm)** | | |
| Bacton (Oct) | 10.85-11.06 | |

*Petroleum Argus. Tel. London (0171) 359 8792*

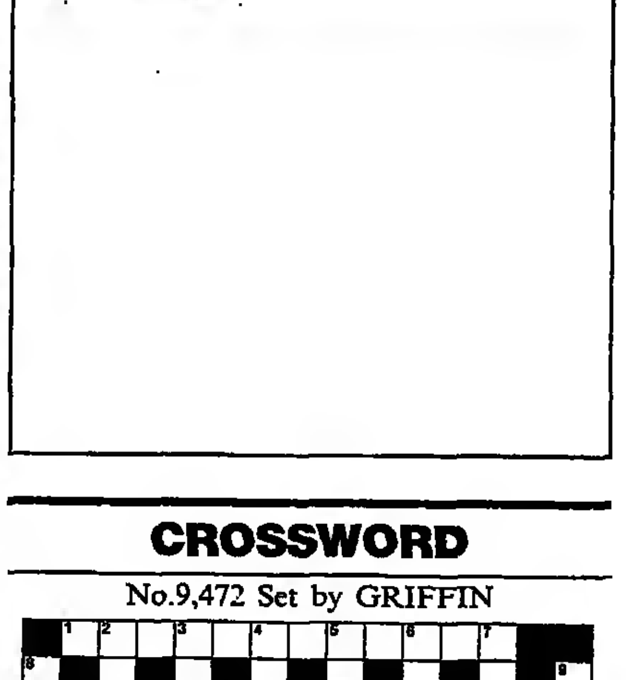
| ■ OTHER | | |
|---|---|---|
| Gold (per troy oz)‡ | $321.45 | -1.30 |
| Silver (per troy oz)‡ | 468.00c | -0.50 |
| Platinum (per troy oz.) | $418.00 | +12.00 |
| Palladium (per troy oz.) | $189.00 | +2.50 |
| Copper | 101.0c | |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 15.39r | |
| Tin (New York) | 253.5 | |
| Cattle (live weight) | 99.51p | -0.23* |
| Sheep (live weight) | 111.28p | -2.55* |
| Pigs (live weight)† | 82.12p | +12.56* |
| Lon. day sugar (raw) | $282.70 | -2.30 |
| Lon. day sugar (wte) | $334.50 | |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | £109.00 | |
| Wheat (US Dark North) | Unq | |
| Rubber (Oct)♥ | 59.50p | +0.50 |
| Rubber (Nov)♥ | 59.50p | +0.50 |
| Rubber (KL RSS No1) | 264.5z | +1.5 |
| Coconut Oil (Phil)§ | 585.0y | +5.0 |
| Palm Oil (Malay.)§ | 510.0z | -5.0 |
| Copra (Phil)§ | $390.0y | |
| Soyabeans (US) | 224.0 | |
| Cotton Outlook'A' index | 79.90c | |
| Wooltops (64s Super) | 428p | +9 |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Aug/Sep. z Aug. w Oct. ♥London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on n/a head of pigs sold.

JOTTER PAD

## CROSSWORD

No.9,472 Set by GRIFFIN



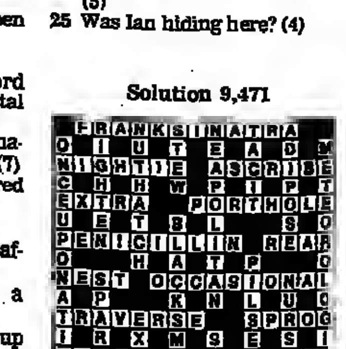
ACROSS

1 Army member to visit Alan's replacement (12)
10 For overlooking king, attack male diplomat (7)
11 One's late and there's no one else to blame (7)
12 State after one had turned to love (5)
13 One who loaned empty cellar to journalist (8)
15 City man coming back round tonight, perhaps (10)
16 Girl a clergyman rejected (4)
18 Look after Leatherhead, a beastly place! (4)
20 Ruling out reducing LP distribution (10)
22 Sweeping round in between (8)
24 Had a tumble, in fact (5)
26 Distinguished crossword compiler back in hospital (7)
27 Writing back with information I'd inserted a dash (7)
28 Acceptable as it's repaired and works (12)

DOWN

2 Draw a tin-opener on a leaflet (7)
3 One winning one with a queen (8)
4 Row about it standing up (4)
5 Keeping watch, can burst in (10)
6 One top article inclnded Homer's work (5)
7 It's first left into the plant (7)
8 Races to let Ian in as I collapsed (13)
9 Engineers' form for putting in a new order (13)
14 Masses of garages get blown up (10)
17 American friend endlessly upset this religious person (8)
19 They may be tickled by a performer (7)
21 Whole unit in get-up sovereign wanted (7)
23 Open second bowling green (5)
25 Was Ian hiding here? (4)

Solution 9,471



# FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

# OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

Jupiter Asset Management (Bermuda) Ltd

[illegible]

## BERMUDA (REGULATED)(**)

[illegible]

## GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd

[illegible]

## GUERNSEY (REGULATED)(**)

[illegible]

## IRELAND (SIB RECOGNISED)

[illegible]



## IRELAND (REGULATED)(**)

[illegible]

## ISLE OF MAN (SIB RECOGNISED)

[illegible]

## ISLE OF MAN (REGULATED)(**)

[illegible]

## JERSEY (SIB RECOGNISED)

[illegible]

## JERSEY (REGULATED)(**)

[illegible]

## LUXEMBOURG (SIB RECOGNISED)

[illegible]

Offshore Funds and Insurances

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

**American Phoenix Investment Portfolios (u)**
13 rue Goethe L-1637 Luxembourg 00 352 404646211

| | Init Charge | Notes | Selling Price | Buying Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| European Multinational Pfolio | | | Ecu24 75 | | -0.01 | - |
| European Multinational Pfolio | | | $28 69 | | -0 01 | - |
| European Multinational Pfolio | | | £16.98 | | +0.08 | - |
| European Multinational Pfolio | | | 147346 | | -05 | - |
| European Multinational Pfolio | | | DM48 85 | | -0 1 | - |
| Global Multinational Pfolio | | | Ecu23.11 | | -0 06 | - |
| Global Multinational Pfolio | | | $24 91 | | -0 07 | - |
| Global Multinational Pfolio | | | £15.76 | | -0 05 | - |
| Global Multinational Pfolio | | | 144200 | | -179 | - |
| Global Multinational Pfolio | | | DM46.33 | | -0 18 | - |
| US Growth Companies | | | $17 96 | | +0 09 | - |
| US Growth Companies | | | £11.36 | | +0 12 | - |
| US Growth Companies | | | L31853 | | +111 | - |
| US Growth Companies | | | DM32 57 | | -0 11 | - |
| US Real Estate Securities | | | $15 62 | | +0 03 | - |
| US Real Estate Securities | | | £9 48 | | +0.07 | - |
| US Real Estate Securities | | | L27701 | | +13 | - |
| US Real Estate Securities | | | DM28 41 | | -0 01 | - |

**BAII Asset Management Ltd**
10 Piccadilly London W1V 0EE 0171 734 3700

| | | | | | | |
|---|---|---|---|---|---|---|
| Intermarket NAV Aug 29 F | | | $565.65 | | +5 49 | - |
| **Interportfolio Fund** | | | | | | |
| Convertible USD Aug 31 | | | $772.40 | | - | - |
| Convertible FFr Aug 31 F | | | FFr3307 57 | | - | - |

**Bank Von Ernst & Cie AG**
Marktgasse 63/65, 3001 Berne, Switzerland 0041 31 3291111

| | | | | | | |
|---|---|---|---|---|---|---|
| UK Equity | | | £17 94 | | -0 00 | - |
| UK Smaller Co's Eqty | | | £28.89 | | +0.08 | - |
| Nth American Equity | | | $17 34 | | -0 02 | - |
| US Smaller Co's Eqty | | | $25.28 | | +0.05 | - |
| Pacific Basin Equity | | | $13.92 | | -0.28 | - |
| Japanese Equity | | | 1545 | | -2 | - |
| European Equity | | | DM18.79 | | +0 01 | - |

[illegible]

## LUXEMBOURG (REGULATED)(**)

[illegible]

## OFFSHORE INSURANCES

[illegible]

# FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|

## OTHER OFFSHORE FUNDS

## LONDON SHARE SERVICE

### ALCOHOLIC BEVERAGES

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### BANKS, RETAIL

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### BREWERIES, PUBS & REST

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### BUILDING & CONSTRUCTION

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### BUILDING MATS. & MERCHANTS

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### CHEMICALS

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### CHEMICALS - Cont.

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### DISTRIBUTORS

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### DIVERSIFIED INDUSTRIALS

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### ELECTRICITY

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### ELECTRONIC & ELECTRICAL EQPT

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### ENGINEERING

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### ENGINEERING - Cont.

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### ENGINEERING, VEHICLES

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### EXTRACTIVE INDUSTRIES

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### EXTRACTIVE INDUSTRIES - Cont.

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### FOOD PRODUCERS

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### GAS DISTRIBUTION

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### HEALTH CARE

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |


### HEALTH CARE - Cont.

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### HOUSEHOLD GOODS

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### INSURANCE

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### INVESTMENT TRUSTS

Approved by the Inland Revenue

| | Notes | Price | + or - | 52 week high | 52 week low | Yld Gr's | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### INVESTMENT TRUSTS - Cont.

| | Notes | Price | + or - | 52 week high | 52 week low | Yld Gr's | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

### INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

| | Notes | Price | + or - | 52 week high | 52 week low | Yld Gr's | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | |

# LONDON SHARE SERVICE

## OTHER INVESTMENT TRUSTS

[illegible]

## INVESTMENT COMPANIES

[illegible]

## LEISURE & HOTELS

[illegible]

## LIFE ASSURANCE

[illegible]

## MEDIA

[illegible]

## MEDIA - Cont.

[illegible]

## OIL EXPLORATION & PRODUCTION

[illegible]

## OIL, INTEGRATED

[illegible]

## OTHER FINANCIAL

[illegible]

## PAPER, PACKAGING & PRINTING

[illegible]

## PHARMACEUTICALS

[illegible]

## PROPERTY

[illegible]

## PROPERTY - Cont.

[illegible]

## RETAILERS, GENERAL - Cont.

[illegible]

## SUPPORT SERVICES

[illegible]


## PROPERTY - Cont.

[illegible]

## RETAILERS, FOOD

[illegible]

## RETAILERS, GENERAL

[illegible]

## SUPPORT SERVICES - Cont.

[illegible]

## TELECOMMUNICATIONS

[illegible]

## TEXTILES & APPAREL

[illegible]

## TOBACCO

[illegible]

## TRANSPORT

[illegible]

## WATER

[illegible]

## AIM

[illegible]

## AIM - Cont.

[illegible]

## AMERICANS

[illegible]

## CANADIANS

[illegible]

## SOUTH AFRICANS

| | Notes | Price | + or - | 52 week high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind R | | £27¼ | .... | *£27¼ | £20¾ | 2,687 | 2.7 | ♦ |
| Barlow | ♣† | 873 | [illegible] | [illegible] | 95½ | 1,836 | 1.9 | 15.6 |
| Gold Flds Prop R | † | 139½ | -8¾ | 167 | 122 | 143 | 8.2 | 10.7 |
| SA Brews | | £18½ | — | £20½ | £13½ | 5,032 | 2.0 | ♦ |
| Standard Bank | | £27½ | +½ | £28 | £21 | 3,345 | 2.0 | ♦ |
| Tiger Oats | † | 835 | — | 1100 | 790 | 1,413 | 2.0 | 17.9 |
| Tongaat-Hulett | | 776¼ | -1¾ | 789¾ | 676¼ | 753.6 | 2.5 | ♦ |

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield and yield based on prospectus or other official estimates for 1997
n Dividend yield excludes a special payment.
r Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
A Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
R Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
E Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

## ♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT1623. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

## FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £8.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 200 4678.
Reports published by ShareFinder.

## FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.
Calls are charged at 50p per minute at all times.
An International service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.
All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request.
Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the internet at http://www.FT.com.

# LONDON STOCK EXCHANGE

# Footsie edges higher ahead of US jobs data

MARKET REPORT

By Philip Coggan, Markets Editor

Shares in London managed their fourth consecutive daily rise but the rally showed signs of running out of steam, as investors nervously awaited today's US employment data.

The FTSE 100 index closed 14.4 higher at 4,991.3 after recovering from an early setback which took the market's leading benchmark down 28.2 to 4,948.7. Shares were lifted by some subdued economic data in the morning and by a late futures-inspired rally in the afternoon.

The Confederation of British Industry's distributive trades survey found that the number of retailers reporting higher sales fell sharply in August. "The report was weaker than expected and should reassure the markets that the windfall effect on high street activity is not too dramatic," said Simon Briscoe, UK economist at Nikko Europe.

A slowdown in the rate of Dixons' sales growth (which sent the shares lower) allied to weak new housing figures reinforced the feeling that the consumer boom might be slowing, and that further interest rate rises would not be needed.

However, the record level of August car sales went against the trend of the other data.

Sterling showed some initial weakness on the back of the economic figures, helping the export-related stocks, although in fact the pound recovered to finish higher on the day.

Some renewed weakness in the far eastern markets, together with reports of an investigation by the Manila regulatory authorities, took their toll on Standard Chartered, Footsie's worst performer.

One leading marketmaker said: "We are getting closer and closer to the market top, with the far eastern turmoil a real worry."

The US market, however, remains the main concern for many investors, with non-farm payroll data, which often has a significant effect on share prices, due to be published today.

Bob Semple, UK strategist at NatWest Securities, said: "We are still generally nervous about these markets. US economic growth is eventually going to feed through to higher interest rates."

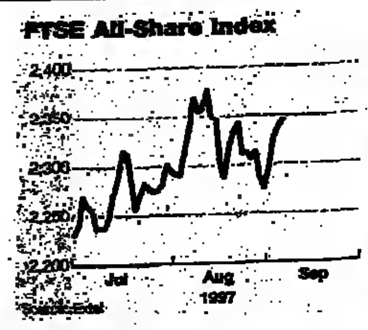
Dick McCabe, chief market analyst at Merrill Lynch, is predicting that the US market may yet make new highs in the fourth quarter but towards the end of this year, or in early 1998, the Dow will suffer a 20-25 per cent correction that will take it back to the 6,500-6,800 level. Yesterday, Wall Street was a modest negative for UK sentiment with the Dow Jones Industrial Average 22 points lower when London closed.

Equities received little guidance from gilts, with the benchmark 10-year issue closing virtually unchanged.

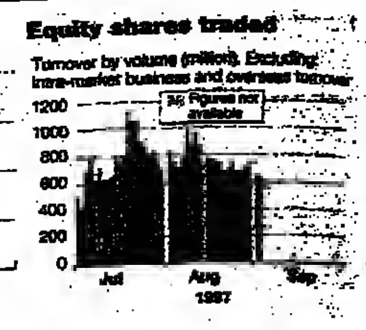
The stock market's rise was broadly-based with the FTSE 250 index gaining 17.1 to 4,663.6 and the SmallCap index np 3.9 to 2,261.4. The latter index is well below its all-time high of 2,374.2.

Volume was modest, with 749.1m shares traded by the 6pm count, of which 52 per cent was in non-Footsie stocks.

FTSE All-Share Index



Equity shares traded



### Indices and ratios

| | | |
|---|---|---|
| FTSE 100 | 4991.3 | +14.4 |
| FTSE 250 | 4663.6 | +17.1 |
| FTSE 350 | 2401.5 | +7.3 |
| FTSE All-Share | 2345.24 | 6.95 |
| FTSE All-Share yield | 3.35 | 3.36 |
| FT 30 | 3182.3 | +15.6 |
| FTSE Non-Fins p/e | 20.02 | 20.05 |
| FTSE 100 Fut Sep | 5013.0 | +23.0 |
| 10 yr Gilt yield | 7.05 | 7.05 |
| Long gilt/equity yld ratio | 2.11 | 2.10 |

**Best performing sectors**

1. Engineering: Vehicles ........+1.9
2. Health Care ........+1.4
3. Telecommunications ........+0.9
4. Building Matls ........+0.8
5. Gas Distribution ........+0.8

**Worst performing sectors**

1. Breweries: Pubs ........-0.7
2. Electronic & Elect ........-0.6
3. Water ........-0.5
4. Diversified Inds ........-0.3
5. Other Financial ........-0.3

# Pressure builds at Standard

By Steve Thompson and Joel Kibazo

Standard Chartered was the only real casualty in the banks sector, the shares plummeting a further 38½ or 4.5 per cent to 808p, as worries over the direction of far eastern markets, and the long-term implications of the exit of funds from that area, returned to haunt the stock.

And there was more bad news for the stock after confirmation that the Philippine central bank was probing Standard's securities operations in Manila.

The UK-registered shares in HSBC, on the other hand, rallied after a difficult trading session to close a net 8¼ up at £20.42½.

The Hong Kong stock market, measured by the Hang Seng index, dropped 3.5 per cent yesterday, while the Kuala Lumpur market fell 2.6 per cent.

Standard shares lost 17.7 per cent last month, one of the worst performances among the FTSE 100 constituents, while those of HSBC gave up 12.9 per cent.

Some analysts, including those at Goldman Sachs, believe the economic slowdown in the South-East Asian economies, notably Thailand, Malaysia and Indonesia, will continue in the medium term and could gain a wider foothold in the region.

Goldman's banks team, which recently downgraded Standard Chartered and HSBC to market underperformers, predicts margin pressure, slower asset growth and the banks' earnings suffering in sterling terms due to devaluations.

## Woolwich bought

The two most recent demutualisation stocks, Norwich Union and the Woolwich, made progress ahead of their expected entries into the prestigious FTSE 100 index after next Wednesday's FTSE Steering Committee meeting. Changes to the index will be implemented on September 22.

Because of their high market capitalisations – Norwich is valued at about £6.8bn and Woolwich about £4.9bn – both qualify easily for inclusion in the Footsie.

Norwich edged up 2 to 354p, on volume of 11m shares, and Woolwich 7½ to 315p on 6.2m shares traded. Tracker funds were said to be pursuing both stocks.

Two other stocks are in line for elevation to FTSE 100 status, according to NatWest Securities: Billiton, the metals group floated with a market capitalisation in excess of £5bn, and Williams, the conglomerate, valued at more than £2.8bn.

Four stocks viewed as vulnerable for exclusion from the index are Tate & Lyle, Hanson, Imperial Tobacco and Burmah Castrol.

NatWest also warned of the threat to Eurotunnel's place in the FTSE 250 index and its possible demotion to the FTSE SmallCap, pointing out that as recently as June 1992 the company was a constituent of the top 100 index. Eurotunnel Units nudged up ½ to 69½p.

Sun Life is seen as another potential entrant in the FTSE 100 and Mercury Asset Management, one of the UK's biggest fund management groups, seen as another vulnerable company. The latter's shares dropped 41 to £12.87½p.

A trading update from electrical goods retailer Dixons disappointed the market and sent the shares into retreat.

Retail sales for the first 17 weeks of the current year were up 25 per cent on a year earlier, while like-for-like sales in the same period rose 11 per cent. Gross margins remained stable, said the company.

The improvement in trading data fell short of market expectations, leaving one sales trader to point out that "over the past eleven weeks, sales have slowed down considerably"

The shares closed 13½ off at 651½p.

However, BZW remains a fan of the stock and analyst Tony Shiret has continued to advise clients to buy the shares saying, "the stock is only on a market rating until 1999 and the (profits) forecasts are underpinned by the prospect of a strong Christmas."

Food retailer Safeway was the only feature of note in an otherwise dull food retailers sector as a clutch of brokers recommended the stock.

The shares rose 5¼ to 390p, on volume of 2.1m, with dealers said to have initially been encouraged by a favourable AGB report showing Safeway sales up 0.8 per cent year-on-year in August while Asda Group posted a 1 per cent increase.

Credit Lyonnais Laing and Dresdner Kleinwort Benson also favour the stock. In a regular bulletin, the team at Kleinwort said it believes: "Gross margin performance will be critical to sector earnings momentum in the medium term. Interims from Morrison and Tesco will provide the first indication. We anticipate stability and this could spark a further phase of outperformance."

It was a two-way pull in Asda which left the shares lighter at 146p.

The recent bout of weakness in sterling, which has seen the currency slide over 6 per cent in just over a month, measured by the Bank of England's trade-weighted index, continued to have an impact on shares of the leading exporting companies.

Many of the UK's leading engineering stocks made further good progress, as did some of the leading building materials groups which have substantial exposure to the German market.

## LucasVarity up

LucasVarity topped the FTSE 100 performance table climbing 8¼ to 205½p, closely followed by RMC, the aggregates group, whose shares moved up 24 to £10.55. Smiths Industries rose 12 to 841½p.

Among the FTSE 250 stocks, Tarmac posted a 7 gain at 123½p, Glynwed added 13 at 254p and Delta put on 8 to 297½p.

There were excellent profits performances reported by Senior Engineering, whose shares ran up 4¼ to 158p in the wake of the 30 per cent lift in interim earnings.

Redland added 6½ at 298½p.

Ocean Group, the international freight and distribution company, was one of the more prominent stocks in the FTSE 250, the shares pushing up 16 to a record 583½p after a well-received series of presentations to analysts and institutions.

Utility Cable shares almost halved to 4½p, after the company warned that profits for the full-year would come in "substantially below market expectations" blaming a shrinking in expenditure by UK cable TV franchise holders.

But the share price later picked up to close a net 2¼p lower at 5¼p amid talk that the company had been approached by potential purchasers.

### FT 30 INDEX

| | Sep 4 | Sep 3 | Sep 2 | Sep 1 | Aug 29 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 3182.3 | 3166.7 | 3158.2 | 3124.1 | 3102.0 | 2801.1 | 3222.3 | 2668.8 |
| Ord. div. yield | 3.54 | 3.56 | 3.57 | 3.62 | 3.65 | 4.05 | 4.22 | 3.39 |
| P/E ratio net | 20.75 | 20.66 | 20.59 | 20.29 | 20.10 | 17.02 | 20.75 | 15.80 |
| P/E ratio nil | 20.47 | 20.38 | 20.31 | 20.02 | 19.83 | 16.86 | 20.47 | 15.71 |

FT 30 since compilation: high 3228.5 12/08/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 3164.2 | 3158.2 | 3161.4 | 3168.7 | 3166.8 | 3167.7 | 3167.4 | 3166.4 | 3177.1 | 3182.3 | 3155.8 |

| | Sep 4 | Sep 3 | Sep 2 | Sep 1 | Aug 29 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 41,013 | 45,605 | 41,361 | 40,521 | 38,455 | 33,389 |
| Equity turnover (£m)† | - | NA | 2288.4 | 2297.2 | 2757.0 | 1490.0 |
| Equity bargains† | - | NA | 36,518 | 38,509 | 40,204 | 33,339 |
| Shares traded (mil)† | - | NA | 635.8 | 641.7 | 745.7 | 548.4 |

†Excluding intra-market and overseas turnover but including Crest turnover.



### London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 812 | Total Highs | 79 | Total contracts | 31,335 |
| Total Falls | 685 | Total Lows | 37 | Calls | 12,977 |
| Same | 1,778 | | | Puts | 18,358 |

Sep 4 *Data based on Equity shares listed on the London Share Service.

### FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 4970.0 | 5013.0 | +18.0 | 5024.0 | 4956.0 | 8462 | 64581 |
| Dec | 5032.0 | 5074.5 | +17.5 | 5075.0 | 5024.5 | 613 | 11253 |
| Mar | 5093.0 | 5118.0 | +18.0 | 5093.0 | 5093.0 | 24 | 1810 |

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 4681.0 | 4681.0 | +11.0 | 4681.0 | 4681.0 | 12 | 5504 |
| Dec | 4746.0 | 4746.0 | +11.0 | 4746.0 | 4746.0 | 12 | 3617 |

FTSE 100 INDEX OPTION (LIFFE) (*4987) £10 per full index point

| | | |
|---|---|---|
| [illegible] | | |

Calls 2,126 Puts 1,142

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

| | | |
|---|---|---|
| [illegible] | | |

Calls 5,677 Puts 8,099 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

### LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1997 High | Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| § | F.P. | - | 415 | 387½ | Antofagasta Dls | [illegible] | | | | | |
| - | F.P. | 85.5 | 109¾ | 101 | Bristol & W Prf | [illegible] | | | | | |
| §100 | F.P. | 29.0 | 145 | 109½ | Cammell Laird | [illegible] | | | | | |
| | F.P. | - | 116 | 114 | EMI 8 -- | [illegible] | | | | | |
| • | F.P. | 10.4 | 123½ | 117½ | Fairfield Ents | [illegible] | | | | | |
| § | F.P. | 6.91 | 65 | 62½ | †GR Holdings | [illegible] | | | | | |
| §150 | F.P. | 282.9 | 268 | 162½ | Galen Hldgs | [illegible] | | | | | |
| [illegible] | | | | | | | | | | | |

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

### FTSE GOLD MINES INDEX

| | | |
|---|---|---|
| Gold Mines Index (31) | [illegible] | |
| Regional indices | | |
| Africa (14) | [illegible] | |
| Australasia (8) | [illegible] | |
| North America (11) | [illegible] | |



### FTSE Actuaries Share Indices — The UK Series

| | Sep 4 | Day's chge% | Sep 3 | Sep 2 | Sep 1 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 4991.3 | [illegible] | | | | | | | | | |
| FTSE 250 | 4663.6 | [illegible] | | | | | | | | | |
| FTSE 250 ex IT | 4679.7 | [illegible] | | | | | | | | | |
| FTSE 350 | 2401.5 | [illegible] | | | | | | | | | |
| FTSE 350 ex IT | 2403.5 | [illegible] | | | | | | | | | |
| FTSE 350 Higher Yield | 2319.8 | [illegible] | | | | | | | | | |
| FTSE 350 Lower Yield | 2487.0 | [illegible] | | | | | | | | | |
| FTSE SmallCap | 2261.43 | [illegible] | | | | | | | | | |
| FTSE SmallCap ex IT | 2239.03 | [illegible] | | | | | | | | | |
| FTSE All-Share | [illegible] | | | | | | | | | | |
| FTSE All-Share ex IT | [illegible] | | | | | | | | | | |

### FTSE Actuaries Industry Sectors

| | Sep 4 | Day's chge% | Sep 3 | Sep 2 | Sep 1 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(20) | [illegible] | | | | | | | | | | |
| 12 Extractive Industries(3) | [illegible] | | | | | | | | | | |
| 15 Oil, Integrated(3) | [illegible] | | | | | | | | | | |
| 16 Oil Exploration & Prod(12) | [illegible] | | | | | | | | | | |
| 20 GEN INDUSTRIALS | [illegible] | | | | | | | | | | |
| 21 Building & Construction | [illegible] | | | | | | | | | | |
| 22 Building Matls & Merchs | [illegible] | | | | | | | | | | |
| 23 Chemicals | [illegible] | | | | | | | | | | |
| 24 Diversified Industrials | [illegible] | | | | | | | | | | |
| 25 Electronic & Elect Equip | [illegible] | | | | | | | | | | |
| 26 Engineering | [illegible] | | | | | | | | | | |
| 27 Engineering, Vehicles | [illegible] | | | | | | | | | | |
| 28 Paper, Pckg & Printing | [illegible] | | | | | | | | | | |
| 29 Textiles & Apparel | [illegible] | | | | | | | | | | |
| 30 CONSUMER GOODS | [illegible] | | | | | | | | | | |
| 32 Alcoholic Beverages | [illegible] | | | | | | | | | | |
| 33 Food Producers | [illegible] | | | | | | | | | | |
| 34 Household Goods | [illegible] | | | | | | | | | | |
| 36 Health Care | [illegible] | | | | | | | | | | |
| 37 Pharmaceuticals | [illegible] | | | | | | | | | | |
| 38 Tobacco | [illegible] | | | | | | | | | | |
| 40 SERVICES | [illegible] | | | | | | | | | | |
| 41 Distributors | [illegible] | | | | | | | | | | |
| 42 Leisure & Hotels | [illegible] | | | | | | | | | | |
| 43 Media | [illegible] | | | | | | | | | | |
| 44 Retailers, Food | [illegible] | | | | | | | | | | |
| 45 Retailers, General | [illegible] | | | | | | | | | | |
| 47 Breweries, Pubs & Rest. | [illegible] | | | | | | | | | | |
| 48 Support Services | [illegible] | | | | | | | | | | |
| 49 Transport | [illegible] | | | | | | | | | | |
| 60 UTILITIES | [illegible] | | | | | | | | | | |
| 62 Electricity | [illegible] | | | | | | | | | | |
| 64 Gas Distribution | [illegible] | | | | | | | | | | |
| 66 Telecommunications | [illegible] | | | | | | | | | | |
| 68 Water | [illegible] | | | | | | | | | | |
| 69 NON-FINANCIALS | [illegible] | | | | | | | | | | |
| 70 FINANCIALS | [illegible] | | | | | | | | | | |
| 71 Banks, Retail | [illegible] | | | | | | | | | | |
| 73 Insurance | [illegible] | | | | | | | | | | |
| 74 Life Assurance | [illegible] | | | | | | | | | | |
| 77 Other Financial | [illegible] | | | | | | | | | | |
| 79 Property | [illegible] | | | | | | | | | | |
| 80 INVESTMENT TRUSTS | [illegible] | | | | | | | | | | |
| 89 FTSE All-Share | [illegible] | | | | | | | | | | |
| 105 FTSE All-Share ex IT | [illegible] | | | | | | | | | | |
| FTSE Fledgling | [illegible] | | | | | | | | | | |
| FTSE Fledgling ex IT | [illegible] | | | | | | | | | | |
| FTSE AIM | [illegible] | | | | | | | | | | |

### Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | [illegible] | | | | | | | | | | |
| FTSE 250 | [illegible] | | | | | | | | | | |
| FTSE 350 | [illegible] | | | | | | | | | | |
| FTSE SmallCap | [illegible] | | | | | | | | | | |
| FTSE All-Share | [illegible] | | | | | | | | | | |

Further information is available on http://www.ftse.com



FTSE INTERNATIONAL

### TRADING VOLUME

Major Stocks Yesterday

| Stock | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| [illegible] | | | |

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All figures are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Sep 4 / Sch)

BELGIUM/LUXEMBOURG (Sep 4 / Frs)

CZECH REP (Sep 4 / Korуna)

DENMARK (Sep 4 / Kr)

FINLAND (Sep 4 / Mka)

FRANCE (Sep 4 / Frs)

GERMANY (Sep 4 / Dm)

GREECE (Sep 4 / Drachma)

ITALY (Sep 4 / Lira)

NETHERLANDS (Sep 4 / Fl)

NORWAY (Sep 4 / Kroner)

POLAND (Sep 4 / Zloty)

PORTUGAL (Sep 4 / Escudo)

SPAIN (Sep 4 / Pta)

SWEDEN (Sep 4 / Kronor)

SWITZERLAND (Sep 4 / Frs)

TURKEY (Sep 4 / TL Lira)



## PACIFIC

JAPAN (Sep 4 / Yen)

HONG KONG (Sep 4 / H.K.$)

INDONESIA (Sep 4 / Rupiah)

MALAYSIA (Sep 4 / MYR)

NEW ZEALAND (Sep 4 / NZ $)

SINGAPORE (Sep 4 / S$)

AUSTRALIA (Sep 4 / Aust$)

SOUTH KOREA (Sep 4 / Won)

TAIWAN (Sep 4 / TW $)

THAILAND (Sep 4 / Baht)

## AFRICA

SOUTH AFRICA (Sep 4 / Rand)

## NORTH AMERICA

CANADA

TORONTO (Sep 4 / Can $)
4 pm close

MONTREAL (Sep 4 / Can $)
4 pm close

Prices supplied by Extel, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Prices in US $.

♣ FT Free Annual Reports Service
You can obtain the current annual reports of any companies on this page with a ♣ symbol. For North American companies you can either ring +1 804 320 8097, or fax your request to +1 804 320 8135 or order online at http://www.icbinc.com/cgi-bin/ft. For companies from ALL other countries ring 0181 770 0770 or fax your request to 0181 770 3822 (outside UK ring +44 181 770 0770 or fax your request to +44 181 770 3822).

## INDICES

| | Sep 4 | Sep 3 | Sep 2 | 1997 High | | 1997 Low | |
|---|---|---|---|---|---|---|---|
| Ireland ISEQ Overall(4/1/88) | 3622.14 | 3613.97 | 3601.33 | 3725.95 | 8/8 | 2728.97 | 2/1 |
| Italy Banca Comm Ital(1972) | 914.89 | 925.87 | 908.43 | 959.18 | 23/7 | 642.85 | 2/1 |
| MIB General(2/1/87) | 1376.0 | 1392.0 | 1363.0 | 1442.00 | 23/7 | 991.00 | 2/1 |
| Japan Nikkei 225(16/5/49) | 18615.06 | 18735.17 | 18232.52 | 20681.07 | 16/6 | 17303.65 | 10/1 |
| Nikkei 300(1/10/82) | 282.37 | 283.04 | 275.86 | 303.71 | 29/7 | 251.04 | 27/1 |
| WORLD MS Capital Intl(1/1/70) | 936.5* | 936.7 | 929.0 | 981.38 | 31/7 | 794.58 | 14/4 |
| CROSS-BORDER Eurotrack 100(26/10/90) | 2611.57 | 2632.97 | 2578.22 | 2794.86 | 7/8 | 1893.80 | 2/1 |
| FTSE E 100(26/6/90) | 2223.20 | 2236.83 | 2224.12 | 2365.55 | 7/8 | 1582.99 | 2/1 |
| HSBC JC Drgn(31/12/88) | (u) | 365.10 | 350.27 | 434.33 | 6/8 | 348.31 | 1/9 |
| MS Emgs Eurp(7/1/92) | 171.24 | 171.06 | 186.74 | 195.81 | 9/7 | 158.74 | 3/1 |

## US INDICES

| Dow Jones | Sep 3 | Sep 2 | Aug 29 | 1997 High | 1997 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 7894.64 | 7879.78 | 7622.42 | 8259.31 (6/8) | 6391.69 (11/4) | 8259.31 (6/8/97) | 41.22 (8/7/32) |
| Home Bonds | 103.88 | 103.80 | 103.86 | 104.78 (31/7) | 101.09 (14/4) | 104.70 (31/7/97) | 54.99 (1/10/81) |
| Transport | 2959.36 | 2926.80 | 2870.17 | 3009.25 (6/8) | 2222.07 (2/1) | 3009.25 (6/8/97) | 13.23 (8/7/32) |
| Utilities | 236.94 | 235.85 | 231.77 | 240.85 (22/1) | 208.47 (25/4) | 256.45 (31/8/93) | 16.53 (8/7/32) |

DJ Ind. Day's high 7972.22 (7908.47) Low 7828.45 (7650.99) (Theoretical♣)
Day's high 7944.35 (7880.24) Low 7865.72 (7628.93) (Actual♣)

| Standard and Poors | Sep 3 | Sep 2 | Aug 29 | 1997 High | 1997 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 927.85 | 927.58 | 899.47 | 960.32 (6/8) | 737.01 (2/1) | 960.32 (6/8/97) | 4.40 (1/6/32) |
| Industrials♥ | 1090.64 | 1090.85 | 1057.23 | 1130.76 (6/8) | 865.42 (11/4) | 1130.76 (6/8/97) | 3.52 (30/6/32) |
| Financial♥ | 106.95 | 106.80 | 103.41 | 111.88 (31/7) | 80.75 (2/1) | 111.88 (31/7/97) | 7.13 (4/9/74) |
| NYSE Comp. | 483.71 | 482.90 | 470.48 | 497.00 (6/8) | 388.47 (11/4) | 497.00 (6/8/97) | 4.64 (25/4/42) |
| Amex Comp. | 660.00 | 656.87 | 650.16 | 660.00 (3/9) | 541.20 (28/4) | 660.00 (3/9/97) | 524.20 (16/7/88) |
| NASDAQ Comp | 1618.24 | 1616.09 | 1587.32 | 1630.44 (6/8) | 1201.00 (2/4) | 1630.44 (6/8/97) | 54.87 (9/10/74) |

### ■ RATIOS

| | Aug 29 | Aug 22 | Aug 15 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 1.71 | 1.88 | 1.69 | 2.25 |
| | Sep 3 | Aug 27 | Aug 20 | Year ago |
| S & P Ind. Div. yield | 1.52 | 1.54 | 1.50 | 2.06 |
| S & P Ind. P/E ratio | 25.11 | 24.76 | 25.45 | 21.50 |

### ■ NEW YORK ACTIVE STOCKS

| Wednesday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Safeway 200 | 10,587,100 | 32⅝ | –3¼ |
| Seagate | 9,458,700 | 36¼ | –2⅝ |
| Compaq | 8,206,000 | 66⅞ | –1⅜ |
| Iomega | 7,235,100 | 27⅞ | +2⅛ |
| Gen Elec | 6,154,300 | 67 | +¼ |
| Praxair | 5,876,300 | 51⅜ | –2 |
| First Data | 5,375,000 | 40¼ | –1¼ |
| Nationsbank | 4,823,400 | 58⅛ | +⅛ |
| Philip Morris | 4,530,700 | 45⅛ | +¼ |
| Telefonos | 4,024,200 | 48⅝ | +1 |

### ■ TRADING ACTIVITY

| ● Volume (million) | Sep 3 | Sep 2 | Aug 29 |
|---|---|---|---|
| New York SE | 548.890 | 495.039 | 406.975 |
| Amex | 26.458 | 25.156 | 16.761 |
| NASDAQ | 663.820 | 591.696 | 505.178 |
| NYSE | | | |
| Issues Traded | 3,386 | 3,382 | 3,357 |
| Rises | 1,730 | 2,167 | 1,313 |
| Falls | 1,142 | 734 | 1,486 |
| Unchanged | 514 | 481 | 558 |
| New Highs | 263 | 241 | 156 |
| New Lows | 13 | 19 | 35 |

### INDEX FUTURES

| | Open | Sett Price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| ■ CAC-40 (MATIF/MONEP) (200 x Index) | | | | | | | |
| Sep | 2914.0 | 2938.0 | +10.0 | 2952.0 | 2906.0 | 725 | 42,610 |
| Oct | 2918.5 | 2940.0 | +5.5 | 2940.0 | 2918.5 | 21 | 1,492 |
| ■ DAX | | | | | | | |
| Sep | 4200.0 | 4095.5 | +33.5 | 4106.0 | 4032.5 | 87,415 | 87,415 |
| Dec | 4233.0 | 4128.0 | +36.5 | 4134.5 | 4069.0 | 7,286 | 6,935 |
| ■ OMX | | | | | | | |
| Sep | 2483.00 | 2496.00 | +4.00 | 2498.00 | 2485.00 | 5,205 | 26,077 |
| Oct | 2492.75 | 2506.00 | +4.50 | 2506.00 | 2483.00 | 118 | 1,092 |
| ■ SOFFEX | | | | | | | |
| Sep | 5443.0 | 5490.0 | +7.0 | 5500.0 | 5410.0 | 5,528 | 26,077 |
| Oct | | 5495.5 | - | 5532.0 | 5501.0 | 150 | 2,880 |

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| ■ S&P 500 | | | | | | | |
| Sep | 928.45 | 927.75 | –0.25 | 928.50 | 925.00 | 81,389 | 160,916 |
| Dec | 936.50 | 937.75 | - | 939.50 | 936.25 | 23,512 | 46,064 |
| ■ Nikkei 225 (Open / Sett price) | | | | | | | |
| Sep | 18600.0 | 18580.0 | –140.0 | 18690.0 | 18520.0 | 20,859 | 117,213 |
| Dec | 18580.0 | 18570.0 | –120.0 | 18670.0 | 18520.0 | 7,895 | 103,365 |

Open interest figures for previous day.

*Sat Aug 30: Taiwan Weighted Price 9758.47; Korea Comp Ex 695.37. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall, Toronto Comp./Met & Mins, DAX – all 1,000; SMI – 1500; JSE Gold – 255.7; JSE 30 Ind – 264.3; NKG Nat 100 – 1; NYSE All Common – 50; Stand & Poor's – 10 and Amex Comp – 550. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Sep 4 – 4093.43 +31.30.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the Index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

### ■ TOKYO - MOST ACTIVE STOCKS: Thursday, September 4, 1997

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Nissan Motor | 12.1m | 756 | +8 |
| Sakura Bank | 7.1m | 723 | +8 |
| Hachijuni Bk | 6.3m | 1170 | |
| Toyota Motor | 6.2m | 3350 | +20 |
| Nippon Steel Cp | 4.7m | 298 | -5 |
| NKK Corp | 4.8m | 188 | -4 |
| Mitsubishi Hvy | 4.6m | 772 | +12 |
| Bridgestone Cp | 4.5m | 2780 | -90 |
| Haseko Corp | 4.2m | 96 | -6 |
| Toko | 3.9m | 895 | -30 |

*4 pm close September 4*

# NEW YORK STOCK EXCHANGE PRICES

## - A -

| 1997 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 33 7/16 | 24 1/4 | AAR x | 0.48 | 1.4 | 26 | 1044 | 33 13/16 | 33 3/16 | 33 3/4 | +1/8 |
| 53 3/4 | 33 1/8 | AMP | 1.04 | 2.0 | 43 | 4670 | 52 7/16 | 51 9/16 | 52 1/4 | +1/16 |
| 110 1/16 | 78 1/4 | AMR | | | 0 | 2524 | 106 5/8 | 105 | 105 1/2 | -1/16 |
| 37 5/8 | 29 1/2 | ASA | 1.20 | 4.0 | 19 | 275 | 29 13/16 | 29 11/16 | 29 13/16 | +1/16 |
| 68 11/16 | 49 3/4 | AbbotL | 1.08 | 1.7 | 25 | 9827 | 63 1/4 | 62 3/4 | 62 7/16 | -1/8 |
| 20 1/2 | 14 1/2 | AbitibiI | 0.40 | 2.3 | 0 | 295 | 17 3/4 | 17 7/16 | 17 7/16 | -1/4 |
| 25 | 17 5/8 | ABM Ind | 0.40 | 1.6 | 22 | 211 | 24 3/4 | 24 1/2 | 24 1/2 | -1/16 |
| 24 1/2 | 17 1/4 | Acptnceln | | | 11 | 205 | 23 3/16 | 22 5/8 | 23 1/16 | +1/16 |
| 07 1/4 | 56 1/8 | ACE Ltd | 0.88 | 1.8 | 12 | 892 | u88 | 86 | 87 7/16 | +1 7/16 |
| 10 3/4 | 10 | ACM Gvt In x | 0.90 | 0.5 | 11 | 122 | 10 5/8 | 10 9/16 | 10 9/16 | -1/8 |
| 0 | 7 | ACM EnOpp x | 0.88 | 8.2 | | 60 | 7 11/16 | 7 11/16 | 7 11/16 | -1/16 |
| 10 3/16 | 9 1/4 | ACM Man x | 0.90 | 9.0 | | 192 | 10 1/8 | 10 | 10 | |
| 10 3/8 | 6 1/8 | Acme Elect | | | | 80 | 6 1/8 | 6 3/16 | 6 1/4 | +1/16 |
| 20 | 13 | Acme Mills | | | | 174 | 14 5/8 | 14 1/2 | 14 1/4 | +1/8 |
| 23 11/16 | 14 | ACNielsen | | | 43 | 520 | u23 13/16 | 23 3/16 | 23 3/4 | +1/16 |
| 29 3/4 | 19 1/4 | Acuson | | | | 380 | 27 7/8 | 27 5/8 | 27 7/16 | +1/16 |
| 24 1/8 | 19 3/8 | Adams Expr | 0.55 | 2.3 | 1 | 70 | 24 1/8 | 24 | 24 1/16 | +1/16 |
| 48 1/2 | 24 7/8 | AdvMic | | | | 47368 | 36 3/16 | 35 1/8 | 35 1/4 | -3 5/8 |
| 27 1/2 | 10 3/8 | Advest Grp | 0.12 | 0.5 | 17 | 242 | 24 1/4 | 23 11/16 | 24 1/4 | +1/2 |
| 19 1/16 | 11 1/2 | Advo Inc | | | 17 | 100 | 19 1/8 | 18 13/16 | 18 13/16 | -1/2 |
| 78 7/8 | 31 1/8 | Aegon x | 1.31 | 1.7 | 21 | 245 | 77 3/4 | 76 13/16 | 77 1/16 | +1 1/16 |
| 9 1/8 | 3 1/8 | Aerfix | | | | 589 | 8 5/8 | 7 3/4 | 7 13/16 | -7/16 |
| 57 1/2 | 33 | Aero-V x | 0.30 | 1.4 | 19 | 634 | 57 1/8 | 55 3/4 | 55 7/8 | -1 |
| 41 3/8 | 24 | AES Corp | | | | 2527 | 39 1/4 | 37 13/16 | 39 1/16 | +1 1/16 |
| 118 1/8 | 73 | Aetna | 0.50 | 0.6 | 32 | 5800 | 100 1/2 | 50 7/8 | 98 7/8 | -1/16 |
| [illegible] | | | | | | | | | | |

## - B -

| 1997 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - C -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - D -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - E -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - F -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - G -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - H -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - I -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - J -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - K -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - L -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - M -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - N -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - O -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - P - Q -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - R -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

## - S -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

Continued on next page

# NYSE PRICES

4 pm close September 4

Continued from previous page

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ss-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

# Dealings suspended.



# AMEX PRICES

4 pm close September 4

# NASDAQ NATIONAL MARKET

4 pm close September 4

## - K -

| | | | | | | |
|---|---|---|---|---|---|---|
| K Swiss | 0.08179 | 15 | 16½ | 18⅛ | 16⅝ | -⅛ |
| Kaman Cp | 0.44 37 | 165 | u17 | 16½ | 16¾ | |
| Kelly Sv x | 0.88 17 | 406 | u35½ | 34⅝ | 35¼ | +¼ |
| Kimball | 1.19 16 | 324 | 48¾ | 48 | 48¼ | +¼ |
| KLA-Tc | | 5710648 | 72 11/16 | 70⅝ | 71¾ | +1/16 |
| Koll A | | z0 | 13¼ | 13¼ | 13¼ | |
| Komag ♣ | | 17 9215 | 17⅞ | 17½ | 17 7/16 | -7/16 |
| Kulick ♣ | | 3586 | 50⅞ | 49¾ | 49⅞ | -¼ |

## - L -

| | | | | | | |
|---|---|---|---|---|---|---|
| Labone x | 0.72 45 | 15 | 17¾ | 17 | 17 | -½ |
| Ladd Fum | 21 | 301 | 15⅞ | 15⅜ | 15 11/16 | -1/16 |
| Lam Rsch | | 14903 | 60¾ | 58 1/16 | 58⅝ | -1⅝ |
| Lancaster | 0.76 10 | 1061 | 50¼ | 48¾ | 50 | -¼ |
| Lance ♣ | 0.96 24 | 450 | 22⅜ | 22 | 22⅛ | -¼ |

## - P - Q -

| | | | | | | |
|---|---|---|---|---|---|---|
| Pocahtk | 0.60 0 | 114 | 22⅞ | 22¼ | 22 7/16 | +1/16 |
| Powell | 15 | 263 | 17½ | 15½ | 17½ | +2 |
| Pres Life | 0.20 15 | 236 | 19¼ | 18¾ | 19 | -⅛ |
| Presstek | 134 | 4049 | 43 3/16 | 40⅜ | 43 | +2⅝ |
| PridePtr ♣ | 18 | 6719 | 33½ | 31½ | 33⅛ | +1⅜ |
| Printrnol | 18 | 559 | 17 | 16¾ | 16¾ | -⅛ |
| Qualcomm | 49 | 4132 | 48¾ | 47⅞ | 49⅛ | -1/16 |
| Qual Food | 22 | z0 | 40⅛ | 40⅛ | 40⅛ | -1/16 |
| Quantum | 18 | 20008 | 35 3/16 | 34 | 34¼ | -5/16 |
| Quicksilv | 20 | 510 | 35⅛ | 34 | 34⅜ | -⅜ |
| Quintiles | 176 | 2140 | 79⅝ | 77⅛ | 77⅞ | +⅜ |

## - R -

| | | | | | | |
|---|---|---|---|---|---|---|
| Rainbow ♣ | 14 | 352 | 18⅜ | 18⅛ | 18⅛ | |
| Rallys | | 150 | 2 1/16 | 1 15/16 | 2 | + |
| Raymond | 0.25 16 | z0 | 32⅞ | 32⅞ | 32⅞ | |
| RCSB Fin | 0.60 18 | 247 | 50⅝ | 49⅝ | 50½ | +11/16 |
| Read-Rite | | 2616471 | 27¾ | 26⅜ | 26 11/16 | -1/16 |

## - W -

| | | | | | | |
|---|---|---|---|---|---|---|
| Watsn Bnc | 1.04 25 | 248 | 82⅝ | 81¾ | 82⅝ | +⅛ |
| WstpStA | 21 | 417 | 42 | 41¼ | 41¼ | -⅛ |
| WetSeal ♣ | 19 | 2638 | 21 7/16 | 21⅛ | 21⅜ | +¼ |
| WmsSonoma | 41 | 1370 | u46¾ | 45⅛ | 46⅝ | +1 |
| Wolohan L x | 0.28 13 | 32 | 13⅛ | 12⅛ | 13 | +⅜ |
| Wrldcm | | 43089 | 32 5/16 | 31½ | 31 13/16 | +⅛ |
| Wthinde x | 0.52 28 | 7048 | 19¾ | 18 | 19¾ | +1/16 |
| WPP ADR | 0.29 21 | 47 | 45⅞ | 45⅝ | 45⅝ | +1/16 |
| Wymen-Gdn | 0.40 34 | 1852 | 27⅛ | 26¾ | 26¾ | -1/16 |

## - X - Y - Z -

| | | | | | | |
|---|---|---|---|---|---|---|
| Xilinx ♣ | 33 | 16944 | 48 7/16 | 48¾ | 47⅝ | +⅝ |
| Xircom | 23 | 4430 | 14⅛ | 13½ | 13⅝ | -⅜ |
| Xpedg Corp | | 3665 | 6⅝ | 6⅛ | 6¼ | +⅛ |
| Yahoo | | 5776 | u42⅝ | 40⅝ | 41¾ | +1⅛ |
| Yellow | | 1798 | 31¼ | 30 15/16 | 31⅛ | +1/16 |
| York Rsch | 22 | 548 | 7⅛ | 6 15/16 | 7½ | +½ |
| ZionsUtah | 0.48 21 | 189 | 38¾ | 38¼ | 38 9/16 | +1/16 |

# EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

| Company | Mid price | Change on day | Volume | High | Low | Company | Mid price | Change on day | Volume | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ActivCard | US$3.375 | +0.375 | 83550 | 8.25 | 2.875 | Lernout & Hauspie | US$29.375 | -0.375 | 3200 | 34 | 25 |
| Artwork Systems | US$8 | +0.125 | 27550 | 11.125 | 7.875 | Mercer Int'l | US$10.625 | | 0 | 11.75 | 8.125 |
| Chemunex | FFr10 | | 0 | 10 | 10 | NTL | US$22.5 | +0.5 | 9000 | 25.125 | 20.5 |
| Dobonair Holdings | GBP6 | +0.1 | 11000 | 7.15 | 4.6 | PixTech | US$3.625 | -0.125 | 0 | 6.125 | 3.375 |
| Dr Solomon's ADS | US$27 | +0.875 | 3000 | 28.375 | 16.875 | Schoeller-Bleckmann | Sch1590 | -30 | 550 | 1692 | 900 |
| EDAP TMS | US$7.3125 | +0.3125 | 0 | 9.125 | 6.9375 | Topcall Int'l | Sch3285 | +52 | 3255 | 3363 | 3085 |
| Esprit Telecom ADS | US$8 | | 0 | 12.25 | 5.375 | Turbodyne Technol. | US$5.73 | -0.02 | 10000 | 8.25 | 3.73 |
| Innogenetics | US$10 | | 19850 | 12.75 | 10 | | | | | | |

Prices for 4/9/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990)

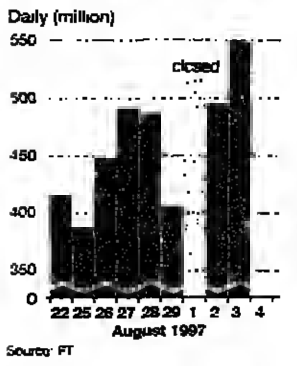
# Economic signals send Dow lower

## AMERICAS

Signs that the US economy was not about to cool immediately helped send blue-chip stocks lower while the broader market indices made modest gains, *writes John Labate in New York.*

At 1pm the Dow Jones Industrial Average was 41.11 or 0.52 per ceot lower at 7,853.53 while the broader

**NYSE volume**



Source: FT

Standard & Poor's index rose by 1.81 at 929.66. The technology-based Nasdaq composite index fared tbe best, rising 5.60 at 1,623.84.

The Commerce Department reported that factory orders for August rose 0.2 per cent and the estimate for June orders was revised upward to 1.7 per cent from an earlier 1.4 per cent rise.

At the same time, store sales reports for August sbowed stroog results at certain retailers, as did August sales by General Motors, released late Wednesday.

"They are more signals that the economy is doing better, and there are mixed emotions on where monetary policy is going to stand when the Fed meets again," said Arthur Hogan, senior equity trader at Morgan Stanley.

Bond prices were uncbanged by early afternoon witb tbe long bond yield standing at 6.596 per cent.

Putting downward pressure on the Dow was Caterpillar, which plunged $3{9/16} or more than 5 per cent at $56¾ after its stock and several others in construction-linked sectors were downgraded by an analyst.

After running up earlier in the week Boeing's shares slid $1{1/16} at $56. In contrast, shares in retailer Wal-Mart gained $¾ at $38{1/16} after the company released that same store sales in August rose 7.1 per cent. Sears fell $¾ at $56¼.

Hudson Foods, the producer that faced a recent recall, surged $3 or more than 17 per cent at $20{1/16} on news that it planned to merge with Tyson.

Tbe technology sector moved mostly higher. Shares in Intel gained $1{1/16} at $95¼, and software producer Oracle gained $½ at $39. Advaoced Micro Devices retreated $3¼ at $35⅝, a loss of more than 8 per ceot, after analysts reported problems for the company.

Gateway 2000, which fell steeply on Wednesday following a profit warniog, rebounded, gaining $⅝ at $33{1/16}.

**TORONTO** side-stepped the early weakness on Wall Street, moving steadily on the back of a solid morning session for the heavyweight banking sector.

Volume was said to be moderate and at the noon calculation, the 300 composite index was up 23.64 at 6,727.80.

Strong third-quarter results from Canadian Imperial Bank of Commerce pushed bank shares higher from the outset.

CIBC added 40 cents to C$36.85 and Toronto-Dominion Bank gained 30 cents to C$43.20. Royal Bank of Canada hardened 5 cents to C$66.10.

Tech stocks were mostly dull. BCE came off 5 cents to C$39.75 and Northern Telecom 85 cents to C$140. Amoog other leaders, Seagram was well dealt, dipping 30 cents to C$48.85.

# Kuala Lumpur's 10-day fall reaches 21%

## ASIA PACIFIC

Kuala Lumpur took another tumble, plunging 10.1 per cent in early trade before renewed support by local institutions pared most of the losses.

By the close, the composite index was 19.64 or 2.6 per ceot down on the day at 731.12. The 10th consecutive daily fall extended the market's decline to 21 per cent since August 20, and took the index down to its lowest level since April 1993.

Dealers characterised the day's activity as a battle between local and foreign investors. The foreigners had continued to exit the market on increasing uncertainty over the government's policies to solve its economic problems.

Anwar Ibrahim, deputy prime minister, has said that Malaysia might use the draconian Internal Security Act to punisb locals who aided foreigners in selling down Malaysian shares.

However, said one analyst, this made Malaysia look like a harsh, third world country and this was scaring foreigners away.

**TOKYO** succumbed to profit-taking as investors sold higb-tech blue chips after two days of steep gains, *writes Gwen Robinson.* The Nikkei 225 average fell 120.11 to 16,615.05 after moving between 18,572.66 and 18,713.47.

Stocks opened lower as domestic corporate investors resumed cross-trading ahead of the interim results book-closing period at the end of September. Many securities bouses sold leading issues on their own accounts following a two-day rally in the 225 index of more than 750 points.

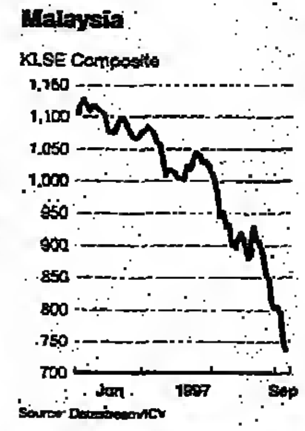
Traders said growing uncertainty over the course of Asian and New York markets fuelled hesitancy. Mixed economic data, including better-than-expected household spending and a surging trade surplus for August, added to anxiety.

Volume eased to an estimated 381m shares from 460m. Declines led advances 688 to 409 with 176 unchanged.

The Topix index of all first-section stocks fell 3.22 to 1,446.63 and the capital-weighted Nikkei 300 was down 0.67 at 282.37. In London, tbe ISE/Nikkei 50 index rose 1.86 to 1,605.94.

Stock exchanges in Tokyo, Osaka and Nagoya suspeoded trading in National Securities, a comprehensive Japanese broker belonging to the Matsushita group, following rumours

**Malaysia**



Source: Datastream/ICV

that the company was to be rescued by Matsushita Electric Industrial. National denied the rumours.

Blue-chip electricals were hit hard. Advantest fell Y200 to Y11,500, TDK Y410 to Y9,690, Sony Y100 to Y11,200 and Tokyo Electron Y150 to Y6,850. Pioneer Electronic fell Y90 to Y2,610 and Sharp Y30 to Y1,150.

Car makers were mixed. Nissan, the day's most active issue, rose Y8 to Y756 and Toyota Y20 to Y3,350. But Mazda fell Y1 to Y445 and Honda was unchanged at Y3,830.

Shipping companies fell on the dispute over Japanese port practices and the US threat of sanctions. Mitsui OSK Lines fell Y7 to Y208, Nippon Yusen Y11 to Y423 and Kawasaki Kisen Y5 to Y161.

Banks continued to advance. Bank of Tokyo-Mitsubishi rose Y20 to Y2,200, Sakura Bank Y8 to Y723 and Fuji Bank Y10 to Y1,490. Securities houses, however, mostly retreated. Nikko Securities fell Y22 to Y556 and Daiwa Securities Y19 to Y763. Nomura was unchanged at Y1,600 and Yamaichi Securities rose Y2 to Y224.

In Osaka, the OSE average fell 64.09 to 19,599.23 and volume surged to 143m shares.

**JAKARTA** rocketed 4.2 per cent higher in response to the central bank's decision to cut its benchmark interest rates. Investors also correctly anticipated tbe announcement, after the market closed, that the government was scrapping a 49 per cent limit on foreign purchases of initial public offers and on listed shares. The composite index rose 21.28 or 4.2 per cent to 533.87 in turnover estimated at Rp480bn.

Inco, the mining group, was actively bought as investors tried to close the gap between the stocks' prices on the foreign board and the regular board.

Inco rose Rp725 to Rp3,275 on the regular board while on the foreign board it was unchanged at Rp3,800.

**HONG KONG** gave back half of Wednesday's mammoth gains in another relatively volatile session, and the Hang Seng index closed 514.82 or 3.5 per cent down at 14,199.17, which was towards the lower end of the market's 600-point trading range.

H shares were harder hit, due to uncertainty on the earnings outlook and corporate asset injection plans.

The Hang Seng China Enterprises index fell 98.14 or 7.4 per cent to 1,227.58.

Turnover was a robust HK$25bn, which was down substantially from Wednesday's HK$34.6bn.

Among the blue chips, properties led the market down. Sun Hung Kai Properties lost HK$4.50 to HK$85.25. A HK$8 tumble to HK$237bn in HSBC was attributed to concerns by overseas investors that the bank has too much Asian exposure.

**TAIPEI** followed Hong Kong lower with the weighted index sliding 312.91 or 3.3 per cent to 9,027.63 as President Lee Teng-hui left for a visit to central and south America. Brokers said there were worries that the president's absence would provoke sabre rattling by China. Electronics led the shakeout. Taiwan Semiconductor lost T$6 to T$151 and United Microelectronics T$5.5 to T$117.5. Yageo Corp lost T$9 at T$125.

**MANILA** continued to rally strongly, lifting the composite index 83.55 to 2,077.68 for a two-day rise of 6.4 per cent. Brokers said investors were buying ahead of today's reduction for banks' liquidity reserves.

Liquidity reserves will be cut from 8 to 6 per cent on a staggered basis starting today. "This makes it clear that government will forego forex volatility in favour of economic growth," said one trader.

Brokers also said the news that President Fidel Ramos' fresh hints that he might try for a second term on a platform of constitutional change improved sentiment further.

**BANGKOK** rose 8.13 or 1.6 per cent to 522.20 on the SET index on bargain hunting. Turnover rose to Bt3.6bn as investors bought deeply discounted bank and finance shares. Thai Farmers Bank was the day's most active stock, gaining Bt3.00 to Bt88. The bank said it planned to increase its stake in finance company Phatra Thanakit from 8 to 49 per cent. Phatra ended Bt2.75 bigher at Bt31.25.

# Amsterdam slides 1.3% on Wall St weakness

## EUROPE

The early weakness on Wall Street unsettled the large Dutch international shares and **AMSTERDAM** turned in the day's dullest performance among major bourses which solid performances from Aegon and KLM could do little to appease. The AEX index slid 12.34 or 1.3 per cent to 916.27.

Aegon rose Fl 2.90 to Fl 159.90. Dutch brokers felt the shares were catching up witb recent underperformance. There was also talk that the big shareholder, Vereniging, may have been topping up its stake.

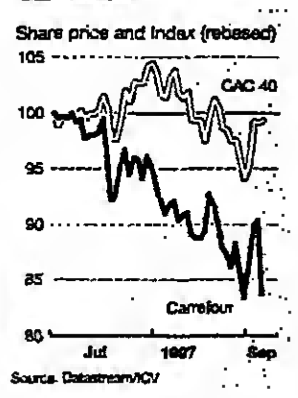
Wednesday's strong traffic figures from British Airways sent KLM Fl 1.30 ahead to Fl 72.60. "There is good volume in the business at present and KLM will clearly benefit from any strike action at BA," said one broker.

Ahold shed Fl 1 to Fl 55.40 in spite of solid interim results. Heineken came off Fl 7.40 to Fl 322.50 in the wake of this week's profits warning from rival Dutch brewer, Grolscb.

**FRANKFURT** was bigher in late electronic trade as a recovery on the bond market led to scattered short-covering. The Ibis-indicated Dax index registered a 31.20 rise to 4,093.43.

As was widely expected, the Bundesbank left its interest rates on hold after its regular council meeting, but this generated little reaction in tbe market.

**Carrefour**



Source: Datastream/ICV

Prices were briefly lifted, however, by Bundesbank president Hans Tietmeyer's denial of reports that he had spoken out in favour of delaying monetary union.

Fresb market speculation circulated about a merger in the financial services sector, this time regarding a possible takeover of Dresdner Bank, 90 pfg higber at DM73.15. Allianz climbed DM12.20 to DM436.50 after a meeting witb analysts at which the company said it was likely to sell off its stake in Ergo, the new insurance group which will be its main rival in Germany.

Steel and engineering firm, Preussag, continued to slide, down DM10.50 to DM480.50, after being hit on Wednesday by concerns that the price it paid for travel services firm Hapag-Lloyd was too high.

Lufthansa gained ground, up 65 pfg to DM37.05, in the waka of Wednesday's announcement of details of the flotation of the government's remaining 37.5 per cent stake. Small German shareholders will be given a discount if they buy shares.

**PARIS** gave up early gains to close with the CAC 40 index off 9.07 at 2,928.99. Dealers said there were few available leads with most market participants content to watch events on Wall Street.

Volume was moderate with 12.5m shares traded.

Supermarkets leader Carrefour was one of the day's stronger features, sliding steeply on the back of disappointing interim results. The shares touched a low of FFr3,620 before closing at FFr3,675, a fall of FFr295 or 7.4 per cent.

Promodes continued to lose ground, slipping FFr16.00 to FFr2,190 for a two-day decline of 2.8 per cent as investors frettad about the viability of the bid for rival retailer, Casino.

Elf Aquitaine's six-month figures sparked initial profit-taking, but tbe shares quickly recovered to close up FFr29.00 at FFr760. Total, which put out solid interims on Wednesday, added FFr10.00 to FFr636, helped by an "outperform" recommendation from Lehman Brothers.

Motors continued to benefit from rumours of government support for industry job losses. Renault put on FFr7.20 or 4.4 per cent to FFr169.7 and Peugeot gained FFr31.00 to FFr744.

**ZURICH** recovered from an opening loss of nearly 1 per cent to close little changed with the SMI index just 0.5 down at 5,478.1 in thin turnover of SFr1.9bn.

Against the trend, Zurich Insurance jumped SFr10 to SFr593 after Wednesday's report of a 40 per cent rise in first-half net profit.

ABB fell SFr57 to SFr2,178, hit by a statement from the $6.2bn Bakun Dam project's holding company that it had been dropped as a contractor. After trading closed, however, ABB said that it and its Brazilian consortium partner believed they were close to agreement with Bakun Hydro-Electric Corp Bhd on the project.

The heavily traded Novartis, which together with Roche was among Wednesday's winners, added another SFr12 to SFr2,237. Roche certificates, however, retreated SFr60 to SFr13,220.

CS Group slid 75 centimes to SFr183.75 and Winterthur gave up SFr4 at SFr1,338. Today, shareholders gather in the city of Winterthur to vote on the proposed merger.

**Written and edited by Michael Morgan and Jeffrey Brown**

# Caracas gains ground

CARACAS contioued to move ahead strongly with the IBC index advancing 229.92 to 9,992.07 at midsession yesterday.

Up 1.6 per cent on Wednesday as investors warmed to recent interest rate cuts and news of national debt retirement, the market was showing a further gain of 2.4 per cent.

**MEXICO CITY** moved broadly sideways with the IPC index off 20.69 at 4,868.12 at midsession. The early weakness on Wall Street led investors to take stock after the recent strong gains. Telmex came off 22 centavos to 18.66 pesos.

**SANTIAGO** tracked the Mexican market, dipping 0.57 to 132.46 at midsession. Power groups Chilgener and Endesa lost 1.50 pesos to 166 pesos and 3.00 pesos to 314.50 pesos respectively.

# South Africa moves higher

Johannesburg shrugged off another dull day for gold shares to close witb the leading index comfortably ahead in healtby trading volume.

Tbe all-share index rose 19.1 to 7,336.9. Industrials supplied good underpinning, rising 13.6 to 9,031.7.

Golds moved narrowly but in the end succumbed to a dull bullion price to finisb off 6.1 at 986.8.

Dealers said features were tbin on tbe gronnd. Sasol gained 50 cents to R66 in turnover of R43m ahead of next week's results statement. Newly listed Billiton dipped 40 cents to R17.70. Among smaller caps, news that Dynamo had acquired 89 per cent of the retailer sent Esic 76 cents or 63 per cent ahead to R2.00.

Tracking bullion below $320, golds mostly moved lower. Vaal Reefs lost R1 to R224.50.

## FTSE Actuaries Share Indices — European series

September 4

| National & Regional Markets | Ecu index | Day's % | change points | Yield gross % | xd adj | Total retn (Ecu) |
|---|---|---|---|---|---|---|
| FTSE Eurotop 300 | 954.44 | +0.03 | +0.27 | 2.36 | 0.00 | 956.95 |
| FTSE Eurotop 100 | 2223.20 | −0.16 | −3.63 | – | – | – |
| **FTSE Eurotop 300 Regions** | | | | | | |
| 300 UK | 954.54 | −0.39 | −3.73 | 3.35 | 0.00 | 960.49 |
| 300 Ex-UK | 955.02 | +0.27 | +2.58 | 1.80 | 0.00 | 955.65 |
| 300 Eurobloc | 956.24 | +0.27 | +2.61 | 1.98 | 0.00 | 957.11 |
| 300 Ex-Eurobloc | 953.99 | −0.15 | −1.41 | 2.64 | 0.00 | 957.63 |
| **FTSE Eurotop 300 Economic Groups** | | | | | | |
| Resources | 993.49 | −1.32 | −13.34 | 2.74 | 0.00 | 995.00 |
| General Industries | 950.27 | −1.25 | −12.12 | 2.02 | 0.00 | 980.98 |
| Consumer Goods | 919.55 | −0.16 | −1.47 | 1.98 | 0.00 | 921.69 |
| Services | 939.97 | −1.17 | −11.13 | 2.33 | 0.00 | 941.78 |
| Utilities | 940.42 | +0.35 | +3.30 | 3.30 | 0.00 | 954.85 |
| Financials | 957.77 | +0.81 | +7.73 | 2.41 | 0.00 | 961.65 |

Base value 1000. Ecu information on Eurotop 300. FTSE and Footsie are registered trade marks of the London Stock Exchange and The Financial Times. Eurotop is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | WEDNESDAY SEPTEMBER 3 1997 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div Yield | TUESDAY SEPTEMBER 2 1997 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (76) | 223.02 | 1.6 | 208.80 | 170.70 | 210.63 | 203.91 | 1.6 | 3.77 | 219.52 | 204.23 | 168.75 | 209.17 | 200.73 | 243.87 | 200.17 | 202.57 |
| Austria (25) | 195.93 | 0.7 | 183.35 | 149.89 | 185.13 | 185.05 | -0.1 | 1.78 | 194.46 | 180.93 | 149.50 | 185.31 | 185.23 | 208.00 | 174.70 | 178.00 |
| Belgium (28) | 244.38 | 1.2 | 228.80 | 187.05 | 231.00 | 226.26 | 0.4 | 3.02 | 241.52 | 224.69 | 185.86 | 230.14 | 225.41 | 261.11 | 214.85 | 214.85 |
| Brazil (30) | 264.87 | 0.4 | 247.99 | 202.74 | 250.40 | 532.31 | 0.4 | 1.39 | 263.80 | 245.42 | 202.79 | 251.37 | 530.21 | 322.44 | 178.48 | 179.06 |
| Canada (125) | 215.64 | 0.5 | 201.89 | 165.06 | 203.86 | 215.97 | 0.5 | 1.74 | 214.50 | 199.65 | 164.96 | 204.48 | 215.00 | 224.03 | 182.51 | 182.97 |
| Denmark (32) | 382.09 | 1.4 | 357.73 | 292.46 | 361.21 | 359.79 | 0.6 | 1.52 | 376.93 | 350.67 | 289.75 | 359.16 | 357.71 | 421.25 | 317.47 | 317.47 |
| Finland (23) | 292.31 | 2.3 | 273.67 | 223.74 | 276.34 | 335.16 | 1.4 | 1.64 | 285.67 | 265.76 | 219.59 | 272.20 | 330.41 | 314.06 | 205.89 | 208.17 |
| France (83) | 225.71 | 0.7 | 211.32 | 172.76 | 213.37 | 216.64 | −0.1 | 2.43 | 224.09 | 208.47 | 172.25 | 213.52 | 216.79 | 237.57 | 187.42 | 187.42 |
| Germany (59) | 222.74 | 2.0 | 208.54 | 170.49 | 210.57 | 210.57 | 1.2 | 1.36 | 218.39 | 203.17 | 167.88 | 208.09 | 208.09 | 238.42 | 172.93 | 172.93 |
| Hong Kong, China (66) | 510.44 | 7.1 | 477.90 | 390.70 | 482.55 | 507.69 | 7.1 | 3.05 | 476.44 | 443.24 | 366.24 | 453.97 | 473.99 | 580.00 | 421.41 | 421.41 |
| Indonesia (27) | 141.36 | 8.2 | 132.34 | 108.20 | 133.63 | 263.40 | 8.7 | 2.47 | 130.64 | 121.53 | 100.42 | 124.48 | 240.43 | 254.80 | 130.64 | 189.20 |
| Ireland (17) | 365.95 | 0.0 | 342.62 | 280.11 | 345.96 | 352.44 | 0.5 | 2.78 | 365.81 | 340.33 | 281.20 | 348.56 | 350.86 | 375.18 | 286.62 | 286.82 |
| Italy (53) | 101.28 | 0.1 | 94.82 | 77.52 | 95.74 | 134.25 | −0.4 | 1.77 | 101.13 | 94.09 | 77.74 | 96.36 | 134.77 | 105.79 | 73.26 | 73.55 |
| Japan (485) | 123.92 | 3.0 | 116.02 | 94.85 | 117.15 | 94.85 | 2.5 | 0.85 | 120.36 | 111.97 | 92.52 | 114.68 | 92.52 | 147.81 | 107.57 | 142.23 |
| Malaysia (107) | 296.12 | −6.7 | 277.24 | 226.56 | 279.94 | 340.09 | −4.8 | 2.06 | 317.26 | 295.15 | 243.88 | 302.30 | 357.21 | 680.85 | 296.12 | 547.75 |
| Mexico (27) | 1743.05 | 2.5 | 1632.49 | 1334.63 | 1648.38 | 14809.98 | 2.2 | 1.51 | 1701.94 | 1583.34 | 1308.20 | 1621.68 | 14487.32 | 1864.38 | 1136.59 | 1246.73 |
| Netherlands (19) | 411.07 | 1.3 | 384.87 | 314.65 | 388.61 | 384.32 | 0.5 | 3.08 | 405.90 | 377.62 | 312.02 | 386.76 | 382.45 | 431.66 | 297.04 | 297.04 |
| New Zealand (14) | 87.60 | 1.4 | 82.02 | 67.05 | 82.81 | 73.30 | 1.2 | 4.16 | 86.40 | 80.38 | 66.42 | 82.32 | 72.41 | 96.47 | 83.03 | 85.70 |
| Norway (41) | 327.76 | 0.5 | 306.86 | 250.87 | 309.85 | 334.51 | −0.3 | 1.84 | 326.24 | 303.50 | 250.78 | 310.85 | 335.51 | 330.72 | 248.20 | 248.20 |
| Philippines (22) | 100.52 | −2.3 | 94.11 | 76.94 | 95.02 | 161.05 | 2.1 | 1.29 | 102.88 | 95.71 | 79.09 | 98.03 | 157.86 | 214.07 | 100.52 | 204.81 |
| Singapore (42) | 290.99 | 2.4 | 272.44 | 222.73 | 275.09 | 203.29 | 2.4 | 1.55 | 284.17 | 264.37 | 218.45 | 270.77 | 198.59 | 448.01 | 284.17 | 390.95 |
| South Africa (43) | 337.79 | 0.7 | 316.26 | 258.56 | 319.34 | 346.93 | 0.6 | 2.44 | 335.50 | 312.13 | 257.91 | 319.68 | 344.91 | 370.12 | 301.49 | 340.31 |
| Spain (33) | 246.76 | 0.7 | 231.03 | 188.88 | 233.28 | 286.72 | −0.1 | 2.29 | 245.17 | 228.09 | 188.47 | 233.61 | 287.00 | 276.05 | 173.01 | 175.96 |
| Sweden (49) | 488.12 | −0.1 | 457.00 | 373.62 | 461.45 | 568.79 | −0.9 | 1.81 | 488.43 | 454.40 | 375.45 | 465.40 | 574.07 | 512.39 | 358.30 | 358.30 |
| Switzerland (33) | 295.82 | 0.9 | 276.96 | 226.43 | 279.65 | 275.37 | 0.6 | 1.21 | 293.24 | 272.81 | 225.42 | 279.42 | 273.75 | 328.59 | 231.69 | 245.21 |
| Thailand (47) | 37.66 | −5.6 | 35.27 | 28.84 | 35.62 | 55.05 | 0.9 | 5.32 | 39.92 | 37.14 | 30.69 | 38.04 | 54.54 | 145.69 | 37.68 | 140.11 |
| United Kingdom (213) | 309.49 | −0.2 | 289.76 | 236.89 | 292.58 | 289.76 | 0.5 | 3.44 | 309.98 | 288.38 | 238.28 | 295.36 | 288.38 | 325.28 | 244.64 | 244.64 |
| USA (635) | 377.18 | 0.1 | 353.14 | 288.70 | 356.57 | 377.18 | 0.1 | 1.64 | 376.71 | 350.46 | 289.59 | 358.94 | 376.71 | 389.67 | 264.75 | 268.86 |
| Americas (817) | 344.35 | 0.2 | 322.40 | 263.58 | 325.54 | 290.03 | 0.2 | 1.64 | 343.77 | 319.82 | 264.26 | 327.56 | 289.55 | 356.35 | 242.47 | 244.29 |
| Europe (713) | 271.58 | 0.6 | 254.27 | 207.88 | 256.74 | 263.00 | 0.4 | 2.42 | 269.88 | 251.17 | 207.54 | 257.25 | 262.01 | 284.44 | 212.81 | 212.81 |
| Nordic (150) | 415.56 | 0.5 | 389.06 | 318.08 | 392.85 | 424.75 | −0.3 | 1.75 | 413.32 | 384.52 | 317.73 | 393.83 | 426.00 | 437.88 | 310.57 | 310.57 |
| Pacific Basin (881) | 138.76 | 3.0 | 129.91 | 106.21 | 131.18 | 107.14 | 2.8 | 1.38 | 134.70 | 125.32 | 103.55 | 128.35 | 104.28 | 162.15 | 127.18 | 156.02 |
| Euro-Pacific (1694) | 194.20 | 1.6 | 181.82 | 148.64 | 183.59 | 165.66 | 1.4 | 1.98 | 191.16 | 177.84 | 146.95 | 182.15 | 163.44 | 209.12 | 173.55 | 179.55 |
| North America (760) | 367.12 | 0.1 | 343.72 | 281.00 | 347.06 | 366.40 | 0.1 | 1.64 | 366.60 | 341.05 | 281.91 | 349.31 | 365.88 | 379.38 | 258.56 | 260.55 |
| Europe Ex. UK (500) | 244.92 | 1.0 | 229.30 | 187.46 | 231.53 | 242.00 | 0.3 | 1.84 | 242.43 | 225.54 | 186.36 | 231.00 | 241.21 | 256.73 | 191.01 | 191.01 |
| Pacific Ex. Japan (396) | 269.56 | 3.2 | 252.38 | 206.33 | 254.83 | 248.75 | 3.5 | 3.08 | 261.29 | 243.08 | 200.86 | 248.97 | 240.40 | 320.85 | 260.02 | 260.77 |
| World Ex. US (1818) | 198.39 | 1.5 | 185.75 | 151.86 | 187.55 | 172.43 | 1.3 | 1.96 | 195.42 | 181.82 | 150.23 | 186.22 | 170.22 | 212.89 | 178.94 | 181.14 |
| World Ex. UK (2241) | 250.47 | 0.9 | 234.50 | 191.72 | 236.78 | 225.37 | 0.8 | 1.62 | 248.12 | 230.83 | 190.73 | 236.42 | 223.68 | 262.99 | 204.20 | 204.21 |
| World Ex. Japan (1969) | 322.50 | 0.5 | 301.94 | 246.85 | 304.88 | 317.44 | 0.4 | 1.98 | 321.00 | 298.63 | 246.76 | 305.96 | 316.13 | 334.83 | 242.70 | 243.05 |
| The World Index (2454) | 255.56 | 0.8 | 239.26 | 195.61 | 241.59 | 231.30 | 0.7 | 1.80 | 253.44 | 235.78 | 194.82 | 241.49 | 229.63 | 267.21 | 207.68 | 207.68 |


Latest prices were unavailable for this edition.

# REINSURANCE

As reinsurers gather in Monte Carlo, several problems will be on their minds. Fierce competition and rapidly shifting patterns of demand have created new uncertainties, writes **Christopher Adams**

## Storm warning for a watchful industry

Like the Caribbean island of Montserrat, threatened with destruction by the smouldering volcano which towers above it, the world's reinsurance industry is living on borrowed time.

Traditionally dependent on the needs of conventional insurers to protect against big losses, reinsurers are finding that demand for many of their core products is falling away.

Fierce competition and rapidly shifting patterns of demand have created new uncertainties. Not only are insurers using strong balance sheets to retain much of their own risk, but interest in more sophisticated products that require expertise in areas such as asset management and consulting is growing fast.

The successful sale this summer of $400m in hurricane-linked bonds to Wall Street investors by USAA, the US-based insurar, sounded a loud warning shot to the industry.

"Needs have become more complex, which all adds to cost. The danger is that people will continue to slit their throats with massive price cutting," says John Pelly, chairman of non-marine reinsurance at broker Willis Corroon.

Recent years have been kind, despite the escalating cost of natural catastrophes. Floods which swept across central Europe in July devastated thousands of square kilometres of farmland, left hundreds of families homeless and caused billions of dollars in damaga. Few people, however, were properly insured.

But as reinsurance executives gather in Monte Carlo next week for their annual rendezvous with brokers, many will wonder at their ability to pay should another hurricane like the one which devastated Florida five years ago strike again.

Hurricane Andrew brought capital flooding into the industry and spurred a mammoth restructuring as insurers began to attach more importance to the financial clont and geographical spread of reinsurers.

A string of mergers and acquisitions created global giants overnight, culminating in Munich Re's acquisition of American Re for $3.3bn last year. Now the world's top five reinsurance groups handle more than 60 per cent of the market.

"If yon want to be a key player, you need to be global," says Jacques Blondeau, chairman of French reinsurer Scor. "Tha number of reinsurers has halved over tha past four to five years and the days of the regional firms are gone. You hava got to be in the US, Europe, Asia and emerging markets."

The consolidation is far from over, he says. In the US, especially, there are still too many companies chasing business that is increasingly being taken by much bigger competitors. "Their chances of survival are very slim. There's too mnch capacity."

Several years without a large loss means there is now a buge surplus of reinsurance capital. This is encouraging underwriters to cut prices for most reinsurance contracts.

Competition has been further fuelled by tha rapid growth of reinsurers that were set np on the island of Bermuda in the aftermath of Hurricane Andrew. These have now grown to maturity and are diversifying away from catastrophe business.

One of them, Partner Re, acquired French reinsurer SAFR earlier this year and several Bermudian companies have been building stakes in the underwriting businesses which comprise Lloyd's of London.

For its part, Lloyd's is battling fiercely to recover market share after ridding itself of the billions of pounds in losses that had threatened destruction. Last year, it returned spectacularly into the black.

From next year, Lloyd's will begin introducing tougher capital requirements for the individuals called Names who have traditionally backed it, in a bid to improve solvency and win a strong market-wide security rating from Standard and Poor's.

However, the resilience of reborn Lloyd's and of its competitors has yet to be fully tested. Premium rates have fallen by up to 25 per cent this year, potentially undermining future profitability should claims increase.

The total size of the world's insurance and reinsurance markets is estimated at $500bn. A hurricane hitting Miami that caused an insured loss of $100bn could blow a big bole in some balance sheets.

For some large corporate customers, many of which have set up subsidiaries to underwrite their own insurance, placing risk in capital markets better able to absorb big losses could become increasingly attractive.

It will be op to reinsurers to respond, either by diversifying or by ensuring that conventional reinsurance contracts remain cost-effective.

The growing popularity of derivative instruments such as catastrophe bonds is only one example of how shifting demand patterns are piling pressure on reinsurers.

Because they have set up their own "captive" insurers, multinationals have less need to buy conventional cover.

They can also pick and choose between reinsurars and insurers. Like many insurance companies, they now demand products from the reinsurance industry which protect their balance sheets against movements in currency and interest rates, as well as risks such as damage to property through fire.

Walter Kielhoz, chief executive of Swiss Re, says the boundaries between insurance and reinsurance have become blurred: "Very often we're all sitting at tha same table trying to find a common solution for risk management issues. The customer doesn't mind what the counterparty calls itself."

Moreover, insurers themselves have been buying less reinsurance protection after several years of bealthy returns from investing in equity and bond markets, which have left them better capitalised.

This, in turn, has led to a shift away from contracts popular in the past where a reinsurer agreed to underwrite a share of an insurer's total risk to ones where it underwrites a layer of cover above what is retained, fuelling competition further.

Continued on page 6

Lloyd's share of the world's reinsurance market has diminished after a bruising crisis

LONDON MARKET • by Christopher Adams

# Lloyd's faces uphill struggle

## Rivals have forged ahead after severe losses undermined confidence in the London market

Lloyd's of London is trying to come to terms with an uncomfortable truth. Its share of the world's reinsurance market has diminished after a bruising crisis which threatened to tear it apart.

The severe losses of recent years and an avalanche of lawsuits brought by embittered investors have undermined confidence in the London-based commercial insnrance market and allowed rivals to gain income at its expense.

Lloyd's share of worldwide reinsurance, which accounts for much of its overall revenue, fell from 6.6 per cent in 1991 to 4.8 per cent in 1994. Confidence has only begun to creep back since Lloyd's managed to rid itself of those losses last year.

"Yes, Lloyd's has survived, it is profitable. But clearly people are looking around and saying can we be sure that Lloyd's will perform the miracle of survival again when an underwriting crisis returns?" says Chris Hitchings, insurance analyst at UBS.

Under its three-year accounting system, Lloyd's this year reported profits for 1994 of nearly £1.1bn, the second most profitable year in its history. But it warned that profits would fall to £600m in 1996 and deteriorate further this year.

Underwriters have been making up for lost time. But in a fiercely competitive global market, it will be difficult to undercut rivals and stay profitable. Premium rates are in freefall and the big insurance companies with most bargaining power have won 25 per cent reductions this year in what they pay for reinsurance.

Reinsurance, which is effectively insurance for insurers, provides Lloyd's with half of its £10bn in premium income. But analysts expect it to provide less than half in future as more customers retain risk, the pattern of demand shifts, and capital markets are tapped instead.

The top five reinsurers worldwide – Munich Re, Swiss Re, General Re, Lloyd's and Employers Re – account for more than 60 per cent of the market. A series of mergers in recent years has created reinsurance giants with the financial muscle to win contracts from clients who are attaching greater importance to balance sheet strength.

In addition, all the top reinsurers apart from Lloyd's have a strong rating from Standard & Poor's. Lloyd's, for its part, does not have a market-wide rating, which has put it at a disadvantage.

"Lloyd's is complicated," says Ron Sandler, the insurance market's chief executive. "A security rating is a convenient shorthand for establishing adequate solvency and would be a useful way of making Lloyd's easier to understand."

The market's ability to meet claims came under great strain from 1988 to 1992. Negligent underwriting, poor regulation and a devastating run of natural catastrophes led to losses of more than £8bn. The individuals called Names whose assets had backed Lloyd's for centuries either refused or were unable to pay. It was only when Lloyd's agreed to compensate them that it was able to transfer the losses into a new company called Equitas.

The market is now trying to improve its weakened standing with centrally-led changes to its capital structure, which should strengthen the funds underpinning policies and give it a powerful hand in negotiating a strong security rating from Standard & Poor's.

The "chain of security" supporting Lloyd's has several links. Funds held in trust at Lloyd's which belong to Names are the first line of defence for any claim. Once these are exhausted, other personal wealth can in theory be drawn upon. It is only after this happens that a central fund of last resort, to which all capital providers contribute, is used.

The central fund almost collapsed under the weight of liabilities until Equitas was formed last year to take on all pre-1993 liabilities. Lloyd's is determined to avoid a recurrence of those difficulties and has decided that Names should show assets totalling at least 50 per cent of the premiums they support compared with 30 per cent at present.

This would require them to demonstrate the same margin of solvency demanded of the new-style corporate investors which now provide Lloyd's with almost half of the capital it needs.

Most of Lloyd's main competitors, however, also operate more efficiently. This is in part due to the way Lloyd's has evolved. It is wholly reliant on brokers bringing business to a central underwriting room where most risks are negotiated face-to-face and it can take weeks to complete a transaction.

The insurance broking sector itself is a mature industry, where revenue growth is sluggish. Many clients prefer now to deal with reinsurers directly, cutting out the middleman. A wave of mergers and acquisitions among the brokers also means that a small number of very large firms – Marsh & McLennan, Aon, Sedgwick and Willis [illegible] – supplies Lloyd's with more than half of its business. Their bargaining power has grown.

Lloyd's is trying to reduce internal costs. It has created five new business units out of a central services arm and plans to cut annual spending on tasks such as processing policies and handling claims by £20m. It may also co-operate in these areas with the rest of London's commercial insurance market.

But progress elsewhere has been slow. Industry efforts to speed up the time taken to seal commercial reinsurance deals by exploiting new technology have yet to catch on in the way direct telephone selling transformed motor insurance.

In addition, some underwriters argue they are hamstrung by a system which requires them to raise fresh capital annually.

Many have already strengthened links with corporate investors to create insurance companies backed with permanent funds and are trying to buy the rights from Names to participate in syndicates.

Moreover, analysts say Lloyd's relies too much on mature markets such as the US, where growth in insurance barely exceeds inflation and competition has intensified since Bermudian-based companies started snatching business. If Lloyd's is to succeed in tough market conditions it will have to diversify out of areas where it has traditionally been strong.

CONTINENTAL EUROPE • by Herbert Fromme

# Price wars hit German market

## Reinsurers say that the downward trend of premium income will not last long

The effects of liberalisation in German primary insurance have finally caught up with the reinsurers in Europe's largest insurance market. Some companies are more worried about this trend than about the continuing fall in global catastrophe reinsurance premiums, which has been dominating the debate over the past two years.

"We are watching very carefully what is going on in motor and industrial fire," said Hans-Peter Gerhardt, a director of Cologne Re, which is part of the US-based General Re group.

German primary insurers traditionally cede to reinsurers a large proportion of their gross premium income in property and casualty insurance under proportional treaties. This means that the reinsurer receives a fixed percentage of the premiums, and participates with the same ratio in the losses.

Because of the first significant price war in third-party liability, German motor insurers suffered a decline of 3.7 per cent to DM42.5bn (US$23bn) premium income last year. There was a drop of 4.5 per cent to DM4bn in industrial fire premiums. These declines in premium income are wholly due to price reductions while the number of insured risks is actually increasing.

Whether they want to or not, reinsurers are participating in the price wars through proportional treaties. "This decline in income is, in the long run, having a greater effect on reinsurers than the sharp fall in catastrophe reinsurance prices. Cat business forms only a small segment of our total portfolio," said Mr Gerhardt.

"Prices in catastrophe reinsurance cover have gone down so drastically that you would think they could not fall further. Prices in other areas have also declined although far less markedly. I expect that this trend to continue in the next two to three years," Mr Gerhardt added.

Managers at the world's largest reinsurer, Munich Re, with gross reinsurance premiums of DM19.2bn in 1996, agree that the market is still very soft. But they also argue that the present downward trend will not be as long and as severe as that seen in the late 1980s and early 1990s.

"Lloyd's and other market participants are behaving very differently now," said Hans-Juergeo Schinzler, chairman of Munich Re. Fedor Nierhaus, a member of the Munich Re management board, stresses that prices had been unusually high in 1993 and 1994. "Even if prices for cat cover were now down by 50 per cent, which they are not, they would still be more than those of the late 1980s."

The financial results of German reinsurers are, on the whole, oot yet reflecting the worsening market conditions. According to preliminary figures, Munich Re in 1996 increased its profit after tax by 15 per cent to DM700m, Cologne Re expects a profit after tax of more than DM150m, an increase of DM25m from 1995, Hannover Re's profit after tax soared by 60 per cent to DM108m. A drop in underwriting results is widely expected for 1997 and 1998, but even that is unlikely to push companies into the red.

Over the past five years, the profitability of reinsurers has grown strongly – not as quickly as that of primary companies, but more steadily. Primary insurers are more vulnerable than reinsurers to a sharp downturn in profits once the present price wars have filtered through to their accounts.

The effects of the present cycle combine with continuous structural changes in the market. For some years reinsurers bave been under pressure to adjust if they want to retain volumes and profits. These pressures are:

■ Primary insurers are larger and stronger as a result of mergers and acquisitions and are therefore prepared to carry more risk. For instance, Allianz HG is not only Germany's largest primary insurer but is also Germany's second largest reinsurance company. It had a premium income of DM9.9bn in 1996, nearly all of which was derived from members of the Allianz group. Its purchase of reinsurance from outside the group has therefore decreased.

> The results of German reinsurers are not yet reflecting the worsening market

■ When primary insurers' earnings are high, they cede less of their premium income to reinsurers.

■ Traditional proportional reinsurance is declining in importance, partly because reinsurers are no longer seeking this business. Excess-of-loss cover and other forms of cover have become more important, but usually yield lower premium volume.

■ Premiums from large corporations are static, because of higher deductibles, lower prices and better risk management. This is traditionally a key area because large volumes were once ceded to reinsurers.

While demand is down, consolidation among reinsurers has led to the same or even more capacity being offered. Lloyd's increased its capacity, and the Bermuda catastrophe reinsurers are seeking other business beyond the pure cat cover.

Market participants are responding differently. Takeovers and consolidation among reinsurance companies are still one method of increasing business. A wave of consolidation, shook the markets in 1994 and 1995, when Cologne Re was acquired by General Re, Frankona and Aachen Re by Employers Re.

But it did not stop there. In 1996, Munich Re acquired American Re and Swiss Re acquired the UK reinsurer Mercantile & General. This year, Swiss Re sought to protect its share in the French market from rival Munich Re by buying French reinsurer SAFR, which it passed on to its ally Partner Re. In Italy, world number two reinsurer Swiss Re became a majority shareholder in reinsurer Uniorias. With gross premium income of SFr14.2bn in 1996, Swiss Re is vigorously trying to bridge the small gap that will enable it to overtake the number one reinsurer, Munich Re.

The market's changes go beyond the tendency towards consolidation. Reinsurers are beginning to compete directly with their own customers, the primary companies, for corporate clients.

Munich Re says it is reluctant to do this. "But I do believe that sooner or later a grey area will develop between primary insurance and reinsurance," says Mr Schinzler. He can imagine a situation where "large risks are placed in consortia, of which the reinsurers will be part."

The new products developed by reinsurers in their alternative risk transfer (ART) divisions are also aimed at primary insurers as well as at large corporations.

Munich Re has reacted in yet another way to the market changes. It expanded its primary insurance interests considerably by acquiring a majority of Victoria Versicherung and integrating it with its existing insurers Hamburg-Mannheimer and DKV. The newly-created Ergo group will, with DM21bn premium income, become Germany's second largest insurer.

In this way, Munich Re hopes to counterbalance possible pressures on results in reinsurance. At the same time, it is able to keep its powerful influence on developments in the German primary market. This strategy is not without risks. Munich Re might alienate customers who would not wish to place reinsurance business with a group that at the same time is one of their biggest competitors.

**Germany's 15 largest reinsurers**

| Company | Net premium income DMm | [illegible] |
|---|---|---|
| [illegible] | [illegible] | [illegible] |
| Allianz Holding | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] |
| Gerling-Konzern Globale Re | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] |
| Frankona Re | 2[illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] |
| E+S Re | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] |
| Deutsche Re | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] |
| ERC Aachen | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] |
| Verband Öffentliche [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] |
| All Reinsurers | [illegible] | [illegible] |

*Underwriting result before [illegible]
Source: [illegible]



US • by John Authers

# Elements in America have been kind

## Despite the fall in premiums, underwriting last year was the best for a decade

The US reinsurance industry has a much brighter look about it these days. There are fewer, bigger participants in the wake of the 1996 wave of consolidation which has affected the US market as much as it has affected any other reinsurance market.

The industry's profitability looks much healthier, despite continning complaints about over-competition, and despite indications from several sources that premiums have dropped back to the levels seen before 1993 when Hurricane Andrew forced a repositioning for the industry.

Despite the fall in premiums, underwriting performance last year was the best for a decade. This partly reflects the growing trend for reinsurers to cover losses in excess of a given level, as opposed to a proportion, which has had the effect of leaving their performance strongly exposed to one-off catastrophes.

In years when there are few big one-off events, reinsurers can expect to prosper under this system.

Catastrophe losses, thanks to a series of severe weather incidents and earthquakes in the US in the late 1980s and early 1990s, had ballooned to unprecedented levels. They peaked in 1992 at $22.97bn for the entire US insurance industry, when the US was hit by two large hurricanes – Andrew in Florida, and Iniki in Hawaii, and reached another alarming high of $17.04bn in 1994, the year of the Northridge earthquake.

By comparison, the American elements have been kind to insurers and reinsurers during 1995 and 1996, and during the first half of 1997. Total catastrophe losses last year fell to $7.35bn.

This has fed through into underwriting results, particularly as measured by the conventional yardstick of the "combined ratio" which expresses total costs, both from administration and from losses paid out, as a percentage of total premiums received.

According to a survey conducted by the Washington-based Reinsurance Association of America (RAA), a group of 45 property casualty reinsurers reported a combined ratio of 101.5 per cent in the first six months of this year, compared with the combined ratio of 104.8 per cent reported by a similar group of reinsurers in 1996.

The association said the ratio was attributable to a 69.8 per cent loss ratio and 31.7 per cent expense ratio.

By historical standards these ratios are very low. In 1992 the ratio hit 118.3, while in the mid-1980s the industry suffered several awful years, generally as a result of unforeseen liability claims. The ratio hit a high of 121.4 in 1985.

Interestingly the improved underwriting has come against a background of both lower premiums, and higher revenues for the industry. According to the association, tha reinsurers surveyed wrote $9.8bn of premiums during the first six months of 1997, a 6.5 per cent increase from the $9.2bn written by the same group in 1996.

Can such calm conditions continue? Craig Elkind, a director of Standard & Poor's, the rating agency, who covers the industry, suggests that there are problems.

He says: "I'm seeing a contradiction in the market, in that for the past three or four years people have been complaining about softening pricing, and even inadequate pricing. They've been complaining about over-competition. But we've seen companies continue to grow at a pretty decent clip."

He suggests that the improving catastrophe picture – and the fact that reinsurers bore a relatively small share of the losses caused by Northridge – has a lot to do with these unusual conditions. The industry has also been spared big surprise liability issues, such as those caused in recent years by the collapse of the savings and loans industry, or by environmental clean-up measures.

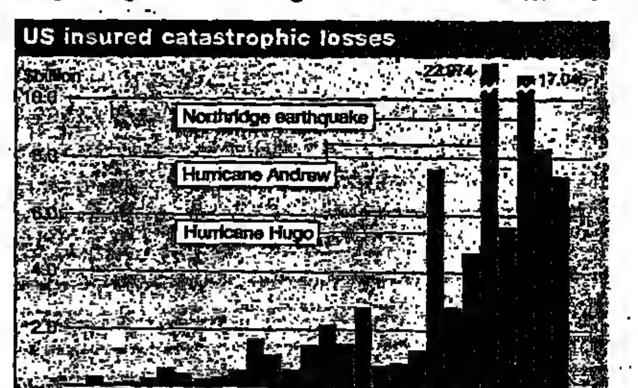
But before long, falling prices "will have to manifest themselves in company results".

The economy is also working in US reinsurers' favour. At present, only the largest US reinsurance companies have significant investment holdings in equities, but while the current benign macro-economic conditions continue, with low inflation and robust growth, they can continue to trade profitably. A resurgence of inflation, or an equity bear market, would be damaging.

Reinsurers have taken steps to ensure they benefit fully from the current benign conditions. Strengthened retained reserves have helped, for example. Mr Elkind argues that with ample reserves to cover environmental liabilities, where generally losses only need to be paid out over a period of some decades, reinsurers have been able to invest in longer-term securities, which offer them a higher yield, and also to explore higher yielding mortgage-backed securities.

Consolidation in itself, which has left the remaining participants larger and with more capital, has been a further factor behind the strong returns. The smaller operators, meanwhile, seek to develop specialised niches, looking for openings such as those already well exploited by the Bermudian reinsurance industry.

While these conditions last, the industry has even adopted new measures of performance, with return on equity now seen as the key benchmark for performance. Swiss Re was the first of several reinsurers to announce that it was aiming for a 15 per cent return.




However, the issue of whether excess earnings should be retained or paid back to shareholders remains an awkward one.

The true test of whether the industry has put its house in order will come with the next big catastrophe.

This would bring added competition from the alternative bond and derivatives products which are aimed at the world capital markets.

While premiums are so low, it is difficult for the emerging market in securitised reinsurance, offered in the form of "catastrophe bonds", to make inroads into the traditional market. Bond investors would in any case be suspicious of any bond which offered an insurer reinsurance at a significantly lower price than they could obtain in the conventional market.

But Hurricane Andrew was regarded by meteorologists as a "near miss". If it had been a little stronger, and had made a direct hit on the most affluent suburbs of Miami, some estimates put the total potential costs at $50bn – roughly treble the actual costs, and utterly dwarfing Hurricane Fran, last year's most expensive event, which created losses of about $1.5bn.

**FRANCE** • by Andrew Jack

# Scor leaves its rivals standing

## Consolidation and the search for critical mass has dominated the French market

Jacques Blondeau, chairman of the reinsurance group Scor, looks puzzled when asked to comment on his rivals in the domestic market. "There is hardly anyone left in France," he says. "There are a few boutiques, but they are ultra-marginal."

Certainly his Gallic competitors are way behind Scor. From humble beginnings as a state enterprise in 1970 designed to create a French competitor to the rival global reinsurers, Scor now claims that it ranks among the world's top five.

Bnt Mr Blondsau's response also indicates the degree to which consolidation and the search for critical mass has dominated the French reinsurance market as it has in much of the rest of the world.

The shake-up since the etart of ths 1990s has included the change in ownership of Abeille Re, which was sold off when Groupe Victoire, its parent company, was acquired by Commercial Union of the UK from Compagnie de Suez, and of Kölnische Rück, sold by Colonia under the influence of its French parent, UAP.

The shake-up has accelerated recently, with the acquisition by the Canadian Fairfax group of Compagnie Transcontinentale de Réassurance (CTR) from the state-owned insurer GAN; and earlier this year, with the sale by its recently privatised rival, AGF, of its controlling stake in Safr, a company bought by Swiss Re and subsequently acquired by Partner Re in Bermuda.

Meanwhile, Scor's investor base has also changed fundamentally during the 1990s, with the ending of a shareholder pact, the withdrawal of UAP as the dominant shareholder, and the opening of its capital to outside investors.

Jacques Blondeau: predicts that drop in turnover will continue

The degree of concentration is clear from the latest figures from the FFSA, ths French federation of insurance companies. In 1996, from a total reinsurance turnover of FFr77bn ($12.5bn), the top nine companies alone reported a total of FFr42bn. And their control over total premium income grew compared with previous years.

The shake-up has left two important questions for observers. The first is whether the smaller reinsurers that remain can survive independently. "There is a high degree of sophistication now required for assessing pricing and analysing risks," says Lewis Phillips, insurance analyst with Fox-Pitt Kelton. "Technology is moving to tha stage where the larger players are still able to devote tha resources but the others may oot be able to do so."

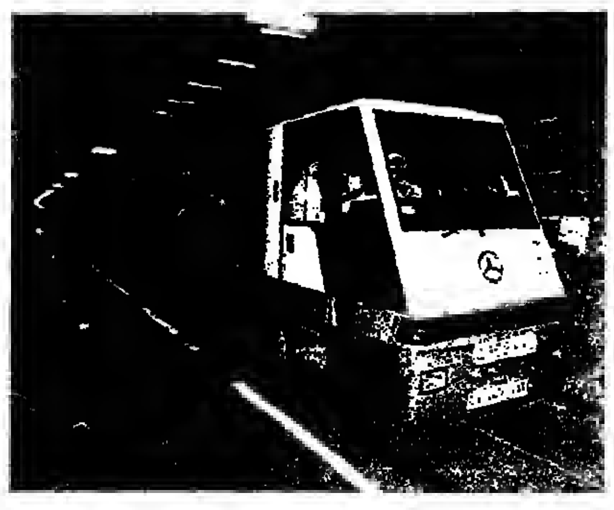
The second question is whether France will continue to follow a more general trend – that of direct insurers ceding their interests in reinsurers. After ths sales by AGF, GAN and UAP, there are just two reinsurers in the country that are still controlled by insurers: Axa Re, by Axa-UAP, and Sorema, by the mutual insurer Groupama.

"Tbe conclusion we've arrived at is that insurance and reinsurance are complementary cousins, but completely different," says Mr Blondeao. "Examples of insurers owning reinsurers have almost entirely disappeared."

Mr Phillips adds: "It's part of the general international trend towards specialisation." Ha also raises a more general point: "It is difficult to classify reinsurance within national boundaries. Scor is an international reinsurer which just happens to be domiciled in France."

After a rebalancing exercise carried out by the current management, just half of Scor's business oow comes from Europe, with a further 35 per cent from the US and Canada, and the rest split between Asia and South America. It is a portfolio division with which Mr Blondeau is satisfied.





The fires at Crédit Lyonnais (left) and in the cross-Channel rail tunnel were two of the more painful claims in France last year

He master-minded tbe North American expansion with the acquisition of the reinsurance sctivities of the US group Allstate. As for future take-over plans, be says: "We are purely opportunistic. I don't see any more development in Europe or the US. It is e question of price, run-off problems and portfolios. The only thing I won't do is grow for the sake of growing."

Scor's diversification bas proved useful recently, given that France itself has been the focal point of two of the more painful and highly-publicised claims last year: that of the fire in the Paris headquarters of Crédit Lyonnais, the state-owned bank; and in the cross-Channel rail tunnel operated by Eurotunnsl. Each will cost Scor some FFr100m.

That aside, claims on reinsurers have been low for the past two to three years. That has helped them to increase profits, which rose 57 per cent to an aggregate FFr2.4bn last year for the top nine French companies.

But tbe consequence bas been tougher competition, with more insurers retaining a higher proportion of the risks for themselves; the emergence of oew operators, notably from Bermuda; the creation of alternative forms of risk cover such as captives; and strong downward pressure on tariffs.

As s result, the French reinsurance sector reported a 10.3 per cent decline in turnover in 1996 compared with the previous year. Mr Blondeao predicts that in 1998, the drop in turnover will continue, with tariffs declining far more sharply than claims, potting a renewed squeeze on the sector's profits.

At the same time, be says that the large western economies have reached maturity for insurance and reinsurance cover for goods and property. The market will grow simply in line with ecooomic growth. More business will come from persooal risk business, in areas such as health care provisioo and directors' responsibility insurance.

He also points to eastern Europe and south-east Asia, with higher growth rates and the preseoce of rslatively few local insurers, creating a considerable market for the French and their competitors. But he warns that companies should not "indulge in infantile enthusiasm" in expansion plans in some of the Asian economies where insurance is still very poorly developed.

For Freoch reinsurers, their other significant recent change has been the move to a new system of regulation and control, for which they had lobbied. Insurers are also increasiogly taking beed of credit ratings of the respective reinsurers before placing their risks.

Mr Blondeau also has an additional challenge. While Scor is now one of the world's lesding reinsurers, its shares still trade at a significant discount to net asset value. He argues that this reflects the historically closed shareholding base of the group, and predicts it will improve in the coming months. He, at least, seems confident of the future.

**BERMUDA** • by Patrick Jenkins

# Tame cats hasten diversification moves

## After several years of growth the island is becoming increasingly crowded

It is just five years since the shaken catastrophe insurance industry that Hurricane Andrew left in its wake spawned a new specialised market eager to take up the buge slack in supply of capacity.

In August 1992, Andrew produced more than US$15bn of insured losses and put tens of insurers out of business. Less than three months later, Mid Ocean sprang up as a specialised Bsrmndian catastrophs insurance facility. Since then fledgling property/catastrophe reinsurers have flourisbed in Bsrmuda, drawn to the offsbore paradise not least by its liberal tax regime.

After several years of rapid growth, ths market and the island that is its home are becoming increasingly crowded. With insurers backed by the kind of capacity that Andrew made them believe they needed, and no recent catastrophe on anything like that scale, the market has softened leaving spare capacity sitting around and impatient shareholders eager for it to be redeployed.

The pressures of a soft market in which premium rates continue to fall are prompting the Bermudians to evolve and adapt almost as fast as they sprang up in the first place. Without a disaster, and a fairly hefty one at that, to shake the market out of its softness, they are under pressure to use spare capacity to guarantee risks other than the traditional catastrophe risk.

### Tax benefits

Under an agreement valid until 2016, Bermudian registered insurers benefit from almost total tax exemption: they pay no corporation tax on profits; there is no premium tax on business written out of Bermuda (and only 1 per cent excise tax on reinsurance business written out of the US); and there is no capital gains tax, provided investments are non-US. Needless to say the Bermudians have only non-US investments.

The current tax break deal is likely to be renewed in 2016: if Bermuda's coffers lose out in direct fiscal income, the peripheral gains, stemming from an industry which otherwise would gradually relocate to another exotic tax-friendly location, are huge.

Of the 18 Class 4 insurers, eight were originally conceived more or less as cat reinsurers. Within the next year they could all be diversifying their business to exclude cat business, moving Bermuda away from one of its main reasons for existing. Acquisition has thus far been the most common tactic.

Bermuda bas undergone the kind of internal consolidation that has infected all the world's markets to varying degrees. There was the hostile takeover of Tempest Re by ACE in mid-1996, and earlier this summer Exel's acquisition of Global Capital Re. But top industry insiders agree that the intra-market revamp will end there. Any mergers and acquisitions activity involving the Bermudians is in future likely to see a local insurer use an international acquisition to diversify.

That trend bas already been set by Partner Re, which opted to buy French reinsurer SAFR and demonstrated that even the previously committed Bermudian cat reinsurers are having to refocus.

But it is the reformation of Lloyd's that is arguably providing and is likely to continue to provide the biggest and most significant opportunity for tha Bermudians to diversify througb acquisition. Since Bermuda began blossoming as a cat reinsurance centre, there has been keen rivalry between Bermuda and London, with Bermuda accused in the early years of slashing rates to win Lloyd's and London market business. Nowadays in Lloyd's post-Reconstruction & Renewal struggls to win back the world's confidence, it is they that are accused of rate-slashing. By being in both places at the same time, those Bermudians that are diversifying into Lloyd's are minimising the effect of a Bermudian market competing against a London market.

Leading Bermudians, many of them cat specialists, oow have a strong position at Lloyd's. LaSalle Re earlier this year created LaSalle Re Corporate Capital. Mid Ocean owns Brockbank. Terra Nova owns Octavian. Exel owns (and therefore Global Capital Re bas a connection with) a 20 per cent stake in Venton. ACE owns (and therefore Tempest Re bas a connection with) Methuen and Ockham. Western General owns Catlin. Between them the Bermodians st Lloyd's control one fifth of the market's £10bn ($17bn) capacity.

A year ago sources at IPC Re, one of the most cat-focused of the reinsurers, disdained the double-gearing that such diversification entails. Today, the company is studying sucb possibilities. It has so far resisted tha temptation to take one of the easiest routes of buying or setting up a Lloyd's syndicate, perhaps because of that very point of gearing, which has caused similar, higher-profile rows at Lloyd's, too. But even if IPC Re chooses not to follow ths likes of LaSalle Re and Mid Ocean and move into Lloyd's, the group now freely admits that it is likely to select some method of accspting the trand in Bermuda pushing the indigenous cats to make the reinsurance world an evan more homogeoeous global business than it already is.

Gearing has been the key to what has previously made the pure cat reinsurers strong. Pure cats sucb as IPC Re, Partner Re (until recently) and Renaissance Re had all "stuck to their knitting", as the Bermudian jargon goes. But that was because they were strongly enough capitalised with such low ratios of exposure to capital that they did not need to flatten that exposure. The longer there is no significant cat loss, bowever, tbe more tempting it becomes to start using capital in other ways.

The need for the Bermudians to start employiog their capital elsewhere has not simply meant a buying spree. Flattening the high-risk curve by offsetting low-frequency/high-severity cats through the acquisition of more predictable business has certainly been one strategy, but the Bermudians are also aiming to be at the forefront of new and alternative developments.

**Cat specialists**

Their pledge to the CEA*

| | $m |
|---|---|
| Partner Re | 150 |
| Cat Ltd | 100 |
| Mid Ocean | 90 |
| Global Capital Re | 45 |
| Renaissance Re | 40 |
| Tempest Re | 25 |
| IPC Re | 20 |
| LaSalle Re | 20 |

*California Earthquake Authority
Source: company statements

As a group, the Bermudians made a marked impact on the abortive California Earthquake Authority bond issue when it was put together a year ago.

While the rest of the world's primary insurers and reinsurers are frantically setting up Alternstive Risk Transfer (ART) operations, the Bermudians bave been relatively unmoved by the index-linked approach.

The other alternative to reinsurance that is beginning to prove attractive in Bermuda is the conversely non-index-linked Aon Re-pioneered Catastrophe Equity Put option, which fixes now the price at which fresh capital can be raised in the otherwise bectic aftermath of a catastropbe. Cst Ltd and LaSalle Re have both shown an interest in structuring CatEPut options.

The facility is clearly a good mechanism for buoying solvency margins and ratings, but for the companies with the strongest solvency margins and ratings it carries as little attraction in a soft market as ART. Even a conservative cat reinsurer sucb as Renaissance Re admits to having looked at CatEPuts, but is likely to hold off for the time being, or be "more creative".

Also afoot is the imminent creation of Catex Bermuda, the local version of the New York Catastrophe Risk Exchange, which hails itself as an electronic trading floor for cat risks.

The Bermudian insurance market remained fairly stable in a soft, low-loss market in 1996. Class 4 incorporated insurers, defined as excess liability insurers and reinsurers and/or property/casualty reinsurers, overall cut net retentions slightly but on the whole saw gross businsss grow steadily. Total business coming in was up from $3.1bn to $3.4bn, although net premium was steady at US$3bn. This relative slippage can be put down to the steady growth of Bermudian-registered insurers' proportional interest in the non-cat markst, where (re)insurers will cede gross premium far more readily than would a cat specialist.

**Class 4 incorporated insurers**

By company ranking, 1996

| | Written premium gross $m | Written premium net $m | net income $m |
|---|---|---|---|
| ACE Ltd(5,6) | n/a | 602.7 | 269.7 |
| Exel(1) | 729.4 | 597.1 | 288.1 |
| Mid Ocean(2) | 556.3 | 525.7 | 211.6 |
| Terra Nova(2,4) | 361.0 | 311.2 | 63.6 |
| Renaissance Re(2) | 269.9 | 251.6 | 156.2 |
| Partner Re(2) | 205.9 | 205.9 | 249.7 |
| Stockton Re(2) | 196.9 | n/a | 134.3 |
| Tempest Re(1,3) | n/a | 137.8 | 108.6 |
| LaSalle(2) | 190.2 | 190.2 | 129.4 |
| Sphere Drake(1) | 148.5 | 118.5 | 24.9 |
| Cat Ltd(2) | 136.2 | 135.8 | 84.9 |
| Global Capital Re(2,3) | 119.8 | n/a | 90.9 |
| IPC Re(2) | 131.6 | 131.6 | 82.6 |
| Starr Excess(1) | 109.6 | 108.5 | 28.8 |
| Chubb(1,6) | n/a | n/a | n/a |
| Epicentre Re(1,7) | n/a | n/a | n/a |
| Hedge Re(1,7) | n/a | n/a | n/a |
| New Cap Re Corp(1,7) | n/a | n/a | n/a |
| Class 4 total | 3,400 | 3,000 | n/a |

1. The original p/c catastrophe reinsurance specialists. 2. The excess liability insurers. 3. Figures are for financial year from 1/10/95 to 30/9/96 and include Tempest Re contribution on a pro forma basis (eg net written premium contribution of £34.8m from 1/7/96 to 30/9/96). 4. Figures are Terra Nova (Bermuda) Holdings, the group holding company 5. Figures are for year to end November 1996, during which Tempest Re was acquired by ACE Ltd. 6. Separate figures are not available for group's Bermuda operation. 7. Newly registered companies (since 1/1/96), hence annual results not yet available
Source: FT World Insurance Report; company data; register of companies

Generally, the era of Bermuda as something special and peculiar is fizzling out. The Bermudians are diversifying and expanding and setting up shop abroad. In short, they are becoming increasingly like ths rest of the world's reinsurers. All of which means that the next time the Big Ooe comes around – and it will – there will be ample room for another wbole concept of reinsurance to develop just as Bermuda emerged in response to the capacity-hungry markst that Hurricane Andrew left behind.

That concept looks at the moment as though it will be ART, but whether ART is solid or conceptually mature enough to be able to respond at a time of crisis is something that the world's (re)insurers and capital markets will have to wait to find out.

With top mainstream reinsurers such as Swiss Re cboosing Bermuda as an underwriting location for its latest ART arm Swiss Re New Markets, the island may yet come full circle and play host to the next reinsurance revolution, catastrophe permitting.

*Patrick Jenkins is Senior Writer on the Financial Times newsletter World Insurance Report.*

RISK AND CAPITAL MARKETS •

# Storm signal for bond investors

## Investment banks have launched a new concept of securities linked to catastrophes

Hurricane Andrew stimulated debate about spreading the risk to bond investors

Reinsurers in the US are grappling with a new concapt – risk securitisation, writes John Authers.

The idea, discussed enthusiastically by investment hankers ever since Hurricane Andrew hit southern Florida five years ago, now seems at last to have gathered critical mass. Bond investors, as well as reinsurers, could now be liable for meeting general insurers' excessive losses when the next big catastrophe, such as a hurricane on the eastern seaboard, or an earthquake in California, hits the US.

But while these changes could bave a profound impact on the industry, making diversification of risk much easier, and giving reinsurers ready access to the full capacity of world capital markets, it seems certain that the drivers of competition will remain the same, and that reinsurance companies will need the same skills to be successful.

Securitisation involves insurers and reinsurers offering bonds where repayments of interest or capital is contingent on a given catastrophic event. If, for example, a hurricane hits Miami within a stipulated period, they might lose their paymeots, or even forfeit some capital. If the worst does not bappen, bowever, they will receive higher rates of interest than are available oo the rest of the market.

The snbject is complex, and the transactioo costs of being an innovator, launching bonds when there are no agreed standards or templates, have been prohibitive. But investment bankers now claim that enough deals have been launched to prove that the concept is workahle, and to ensure that legal and administrative costs for the next companies which plunge into the market will be no higher than for a more conventional bond issue.

Although most action in the field bas so far been in the US, tbe investmeot banks which underwrote the first few securities also intend to globalise their offerings, pointing out that global capital markets have far greater capacity than the reinsurance industry.

In Wall Street, three bond deals in the past 12 months have commanded attention. First, St Paul Re, the Boston-based reinsurance operation of St Paul Insurance, launched a bond where repayments of interest are tied to the company's underwriting performance. Investors only lose if St Paul Re's performance is below a specific target.

Since then, USAA, a large US property insurer, has offered a bond the repayments of which are contingent on whether a hurricane hits the east coast creating losses for the company above a certain threshold, while Swiss Re, a reinsurer, successfully launched a bood where repayments will be affected if an earthquake in California creates losses above a fixed threshold.

Some insurers seem to regard the development as a threat. However, Wall Street is keeo to play down the fears, suggesting that a fairer analogy would be the development of the mortgage and credit card industries after the creation of securitised mortgages and asset-backed securities.

According to Andy Kaiser of Goldman Sachs, which has led several of the initial deals: "Wa think reinsurers may be very well positioned to take advantage of the capital markets because they can source risk on a global basis. Making the analogy with asset-backed securities, Wall Street's role is to facilitate capital flows and liquidity to absorh losses which otherwise bave bean beld within a relatively thinly capitalised industry."

He added: "Capital is no longer going to be the driver of success for reinsurers. The competitive drivers are going to be the ability to source risk efficiently, underwrite it well and service their customers."

He suggested there was a direct link with mortgage lenders and credit-card companies. In both industries, the advent of securitisation had made it easier for smaller operators to build market sbara, and had increased return on equity, he said.

Securitisation is not the only way that reinsurers can use capital markets. Financial derivatives based on catastrophe indices are also now available, with Chicago's Board of Trade putting heavy emphasis on them.

These allow insurers, or speculators, to hedge against the risk of a specific event occurring. Thus Carolina hurricane futures would pay out if a hurricane hit the Carolina coast.

They differ from standard reinsurance in that they are not specifically tied to a particular company'a loss experience. If an insurer happens to have insured all the houses which were directly in the way of the hurricane, or were more poorly built, derivatives might not necessarily cover the full magnitude of their loss. If their losses were less than average, derivatives might render them a profit.

This means that derivatives are not a direct alternative to reinsurance. However, they have attractions for companies which are attempting to manage their ovarall risk exposnre because they are more liquid and transparent and allow for companies over-exposed in a particular area to take on a hroader range of risks.

Also offering a radically new departure is the Bermuda Cataatrophe Risk Exchange (Catex). This is an electronic market place, administered offshore from Bermuda, which allows reinsurers to diversify risks.

By the law of averages, the argument goes, by diversifying each reinsurer should ba able to lower the risk that they will be hit hard by a one-off repeat of Hurricana Andrew. This, in turn, should allow them to reduce the rates they offer primary insurers.

Reinsurers which subscribe to the system can trade risks using the standard "bid-and-ask" system, while participants are monitored by the Bermudian authorities. Catex will allow direct "risk swaps". For example, it suggests that a company might want to cede $50m in Florida Windstorm exposures to another insurer, and assume $100m in Midwestern Tornado exposures in return. The amount on each side of the trade, the specific perils and regions involved, and the percentage co-payment can all be negotiated.

Trading is allowed in units as small as $1m in a bid to encourage companies to experiment with the market, and to ensure that there is adequate liquidity.

But this is not a way to avoid paying up for risks which reinsurers think in hindsight they should not have underwritten. Again, securitisation does not affect the basic drivers of competition in the industry: each company must retain at least 20 per cent of any given risk which it trades, thus ensuring that it still has a financial incentive to pay only legitimate claims.

PROFILE

# Unusual desire for super-cat business

## Warren Buffett's insurer may be a minnow but it has competitive advantages

Insuring California against earthquakes and Florida against hurricanes brings with it the kind of risks even seasoned reinsurers shy away from. But in the heart of America's Midwest there is one company that actively seeks out such "super-catastrophe" business: Warren Buffett's Berkshire Hathaway.

As an insurer, Berkshire, based in Omaha, Nebraska, is a minnow in a world of rapidly consolidating giants. And its chairman, Mr Buffett, is better known for his folksy homilies and hugely successful investment track record than his deep knowledge of the insurance industry. But that cannot disguise the fact that Berkshire is a company with an unusual appetite for risk and an impressive amount of capital, which is giving more established reinsurers a run for their money.

Mr Buffett, who became Berkshire's controlling shareholder back in 1965, has always felt comfortable with insurance. One of his first investments was into Geico, a direct insurance company which these days writes mainly low-cost direct motor policies, not unlike the UK's Direct Line – Geico's logo even sports a telephone, though in a subdued yellow rather than Direct Line's fire engine red.

Since the start of 1996, when Geico became a wholly-owned subsidiary of Berkshire alongside the reinsurance operations, insurance has become the largest of the group's directly owned businesses. It is fair to point out, however, that by far the largest part of Berkshire's value comprises its stakes in other quoted companies, including significant holdings in Coca-Cola, American Express and Gillette.

Mr Buffett is not in insurance by accident. Though he fully acknowledges the risks of the industry – in his 1996 letter to Berkshire shareholders he wrote: "In insurance, it is essential to remember that virtually all surprises are unpleasant" – he realised early on that it could provide him with a pool of "free" money.

Because premiums are received before losses are paid, writing policies gave Berkshire money up-front which it could invest in the stock market to great advantage. As long as it could break even on the underwriting, ran Mr Buffett's reasoning, the group could effectively invest that money at no cost to itself. The figures speak for themselves: between 1967 and 1996, Berkshire has produced an underwriting profit more often than not and the size of its "float" – the free money – has grown from $17m to $6.7bn.

The drive to increase that float and its own growing size gradually led Berkshire from direct insurance into conventional reinsurance

Warren Buffett: not in insurance by accident

and thence into super-cat reinsurance, where capital resources are critically important. By the end of last year, the group's insurance division had a statutory surplus as regards policyholders of more than $26bn – the envy of most of its rivals.

This gives Berkshire three big competitive advantages. First, customers buying reinsurance know that the group can and will pay, even under the most adverse of circumstances. Second, Berkshire can provide cover of a size neither matched nor approached elsewhere in the industry, and it prides itself on rapidly giving a firm commitment – often after a single phone call. According to Ajit Jain, the president of the group's reinsurance division: "One of the key reasons our clients come to us is because we can get something done quickly and quietly."

Finally, after a cataclysm, conventional insurers might find it difficult to obtain reinsurance, just when their need for it is greatest. At such a time, Berkshire would almost certainly have the resources to underwrite more cover, though, obviously, it will serve its long-standing clients first. This has led big insurers and reinsurers throughout the world to start paying "stand-by" fees to Berkshire to ensure readily available cover in case of a disaster.

As for Berkshire's own track record in catastrophe insurance, it seems to be a case of so far, so good. Over the past three years, its catastrophe excess-of-loss policies have earned it $975m in premiums and $580m in underwriting profits. Against that, it has lost around $155m on the 1994 California earthquake. Mr Buffett, with typical caution, has repeatedly warned his fellow shareholders that the performance of this kind of business must be measured in decades not years: "A truly terrible year in the super-cat business is not a possibility – it's a certainty. The only question is when it will come."

In fact, Berkshire's ultimate exposure is limited, even under extreme circumstances. During 1996, it underwrote the two biggest single catastrophe risks ever assumed by one company – a roughly $500m contract with Allstate covering Florida's hurricanes and $1bn of the $5bn cover set up by the new California Earthquake Authority. And it has not laid off any of that risk. Even so, however, Mr Jain estimates that its after-tax losses from a true mega-catastrophe would be no more than $600m – little more than 1 per cent of its current $52bn market capitalisation.

Moreover, its exposure is curtailed in time as well as size, and thus a far cry from the kind of long-tail asbestosis liabilities which dogged Lloyd's of London in the early 1990s. Berkshire's California earthquake contract currently runs for five years until March 2001. So while Mr Buffett will be hoping that the "big one" does not strike quite yet, he is unlikely to be losing any sleep at the prospect.

**Daniel Bögler**

EMERGING MARKETS • by Trevor Petch

# Asian giants dawdle over reforms

## Latin America has shown that liberalisation is not an instant blessing

Liberalisation has been an outstanding feature of international insurance and reinsurance in the mid-1990s. The European Economic Area (EEA); the North American Free Trade Area and Mercosur/Mercosul linking Brazil with Argeotina, Paraguay, and Chile; democratisatioo in Latin America and the former Soviet bloc; the desire of oewly-industrialised Asian countries to join the Organisation for Ecooomic Co-operation and Development (OECD); and signature of tbe General Agreement on Trade and Services (Gats) at the end of the Uruguay Round of international trade talks – all have played a part in breaking down barriers.

However, in the two Asian countries with the greatest long-term potential, India and China, progress has been slow.

At the beginning of last montb, the Indian government was forced to withdraw a hill setting out tbe powers of the proposed new Insurance Regulatory Authority.

In tbe three and a half years since the Malhotra Commission recommended relaxation of India's insurance monopoly, there has been next to no progress, despite – and partly because of – the long queue of foreign insurers anxious to establish joint ventures.

Most observers consider that reform is inevitable in the end, despite the strident opposition of the trade unions and their left-wing and nationalist allies in parliament. Change may be rapid when it comes.

Until 1995, the use of computers was not permitted in the Indian insurance industry. After reaching agreement on computer training for all staff, Oriental Insurance Co, one of the four primary insurance subsidiaries of the monolithic General Insurance Corporation of India, is close to achieving its target of full computerisation within two years.

The queue of foreign applicants to enter China is even longer. Few full licences are granted, however, with only half a dozen more likely by the end of the century, distriboted on a basis which reflects Chinese diplomatic and foreign policy more than insurance considerations.

It remains to be seen if a base in Hong Kong will provide an alternative, or whether Beijing will strictly apply the "ooe country, two systems" philosophy.

Catastrophe struck central Europe this year in the form of floods

At the beginning of the year, the government postponed implementation of regulations which would have established a national reinsurance pool led by the former monopoly People's Insurance Group of China (PIGC) to restrict outflow of premium to a minimum.

The PIGC's reinsurance subsidiary already takes a 20 per cent compulsory cession of all reinsurance placed in China (as does VinaRe in Vietnam), domestic insurers have priority over tbe remainder, and the authorities have the power to prevent any insurer from engaging in reinsurance transactions abroad.

Experience in Latin America has demonstrated, however, liberalisation is not an instant blessing for reinsurers either. In many markets, the removal of the straitjacket of tariffs and national reinsurance companies led initially to a collapse in prices and tha profitability the markets had appeared to enjoy.

Further, if liberalisation results in concentration of the local market or the entry of multinational insurers, reinsurers' share of market premium may even fall because of increased local retentions, inter-group business and an altered pattern of reinsurance. In 1989, reinsurance ceded from Argentina accounted for 28.7 per cent of total primary insurance. The state monopoly reinsurer INdeR was closed in 1991, and the proportion ceded in 1994 was down to 13 per cent.

One attraction to reinsurers of the insurance markets of the "transition economies" of eastern and central Europe is that increased demand for insurance is creating substantial underlying market growth.

David Wansbrough-Jones, managing director of Ceres, the newly-established consortium at Lloyd's set up by AE Grant Underwriting Agencies and dedicated to reinsurance of business from the region, points ont a second advantage. "With the arrival of a lot of newfangled reinsurance, the area is one where so-called traditional reinsurance still functions," he says.

He hopes that Ceres will help in giving Lloyd's and the London Market a better share of business from the region, which he estimates has declined from 47 per cent of US$350m in 1990 to 11 per cent of US$1.3bn in 1996.

This summer's devastating floods in Poland and the Czech Republic brought home the fact that central Europe is not "catastrophe free" because it has little exposure to hurricanes or earthquakes.

With a total insured loss likely to creap towards US$2bn as longer-term structural damage and repair and rebuilding costs become apparent in the winter, insurers have also been reminded that increased insurance demand increases aggregate catastrophe exposure.

"Certainly, central and eastern Europa is a very risky area," Mr Wansbrough-Jones says, "but if you get it right you can assume the rewards will be good, too. The risk/reward ratio is fair."

The floods may have one long-term benefit to reinsurers. In much of the region there has been constant political pressure oo insurers to restrict, Chinese style, the amount of reinsurance taken ont abroad. Despite the ohvious need of both small, new insurers and casb-strapped former state monopolies for the substitute capital which reinsurance provides, many politicians have focused only on dollars flowing out as premium, with no regard – even where adeqoate statistics exist – of reinsurers' contributions to claims.

In Russia, the region's largest potential market, the idea of a national reinsurer with preferential rights has been repeatedly floated over the last three years, often linked with the long overdue introduction – finally granted this year – of tax deductibility for commercial insurance premiums. Partly, too, such pressure reflects questionable practices hy soma western companies which have damaged orderly market development. The idea now seems to have been abandoned after lobbying by local insurers, bnt will probably be replaced this autumn by proposals for a reinsurance tax to be applied to insurers which cede more than 40 per cent of their premium abroad.

Local insurers have already warned that the measure is unworkable, and a compromise with differential tax rates applied to different classes of business is thought possible.

*Trevor Petch is Manager, Insurance Research, at Robert Fleming Securities Ltd. The views expressed are personal.*

هكذا من الأصل



Construction site

Shanghai

9 April
1100 hrs

**THE PROBLEM WITH INVESTING IN BOOMING FOREIGN MARKETS IS THAT THINGS CAN GET LOST IN TRANSLATION. LIKE YOUR CONTRACT, YOUR PROFITS OR YOUR BUSINESS.**

For companies eager to invest in newly developing overseas markets, the reality is that political risk insurance has become a necessity. AIG Global Trade & Political Risk Insurance Company, a member company of American International Group, Inc., is the only company with the global presence and knowledge of local conditions to protect you around the world.

Other insurance companies may offer capacity. Only AIG Global underwrites longer-term political risk coverages up to $120 million capacity per project, guaranteed for ten years and backed by top financial ratings and the strongest balance sheet in the business. We also offer trade credit insurance with limits of up to $50 million. With operations io approximately 130 countries and jurisdictions worldwide, AIG has the expertise, perspective and long term relationships necessary to resolve international problems whenever they arise. When you're an AIG client, you're not just buying insurance. You're getting a business partner. AIG Global customers also benefit from the experience of a board of directors that includes former U.S. Secretary of State Henry A. Kissinger, former U.S. Trade Representative Carla A. Hills, former Treasury Secretary and U.S. Senator Lloyd M. Bentsen, former World Bank President Barber Conable, Jr., and former Prime Minister of Pakistan Moeen Qureshi. AIG has been the leader in political risk coverage for more than twenty years. So while different cultures and languages may seem daunting, the risks won't be.

AIG

**WORLD LEADERS IN INSURANCE AND FINANCIAL SERVICES**

American International Group, Inc. Dept A, 70 Pine Street, New York, NY 10270 www.aig.com

GLOBAL WARMING • by Michael Prest

# Anxious eyes on the climate


The eruption of the volcano on the island of Montserrat is expected to affect world weather conditions

## Reinsurers are keeping a weather eye on the problem of rising temperatures

WHY should global warming be of any interest to reinsurers? The simple answer is that it could cost them a lot of money. The more complex and interesting answer is that it could change the way the industry thinks about risk, and therefore the part insurance plays in economic life.

Ivo Knoepfel, climate and environment adviser to Swiss Re, one of the world's biggest reinsurers, said: "We are convinced that global warming is a serious issue. We reckon that the loss burden due to natural catastrophes will increase because of climate changes and other factors."

The question is what to do about it. There is little dispute now tbat global warming – defined as a rise in the temperature of the atmospbere – is occurring. It is also widely, although not universally, accepted that the frequency of severe weather, such as storms and hurricanes, has increased over the past 20 years or so.

The industry is painfully aware that Hnrricane Andrew in 1992, the Mississippi floods of 1993 and the eastern European floods of this year caused damage amounting to billions of dollars. What is disputed, however, is why our atmosphere is getting warmer and whether tbat change is related to apparently more common violent and costly weather.

Global warming may be part of a natural long-term trend. But it is also highly likely to be caused in some part by the build-up in the atmosphere of carbon dioxide and other gases from the burning of fossil fuels. The original calculations on the effect of greenhouse gas emissions were done by the Swedish scientiat Svante August Arrhenius more than a century ago.

More recent calculations by the intergovernmental Panel on Climate Change estimate that human activity will raise global temperatures faster than st any time in the past 10,000 years – perhaps by 0.3 degrees centigrade a decade. The impact of this increase on climate could be dramatic.

Temperatures are expected to go up more in the northern than in the southern bemisphere, precipitation will increase generally and the incidence of heavy precipitation will also grow. Sea levels will rise, perhaps by as much as 65 centimetres by tha end of tha next century.

Oliver Peterken, director of research and development for reinsurance brokers Willis Faber & Dumas, says: "The implications are very profound. If climate is changing radically, and perhaps very quickly, how can risks be assessed and priced? Will insurers be forced to withdraw or sharply reduce cover? If that happens, who will pay for damage? How will society allocate the costs? What might the implications be for life and economic activity in regions considered to be high risk? Might entire vulnerable cities auch as Miami even have to be abandoned?"

The core of the issue is that insurance is essentially a local undertaking. What matters is not general climate change bnt ths consequences for a specific place at a specific time. As Michael Waceck, managing director of St Paul Reinsurance, part of The St Paul Cos, the American insurance group, said: "It's going to be local weather which is most important for us."

This detailed application of the global warming problem is compounded by another phenomenon. Recent years have seen a rapid growth in popnlation and economic activity in the coastal and sub-tropical areas thought to be most vulnerable to the consequences of climate change: Florida and the coastal US, some of the fast-emerging Asian economies.

Put another way, the cost of disaster is mounting. This has prompted Swiss Re to talk of prosperity loss. "We are no longer contemplating temporary damage to individual properties or businesses but long-term or even permanent damage to whols economic sub-systems, or in the case of small countries possibly entire national economies."

Ths City of London, for example, is in a low-lying area which might bscome even more prons to floods from a combination of higher rainfall, rising sea levels, and the separate sinking of eastern England. Will tbs Thames Barrier be an adequate defence in such relatively severs conditinns which were not anticipated when it was built? The same question could be asked of protection against avalanches in the Alps, or tropical storms in Australia, or flooding in Bangladesh.

Unfortunately, nobody knows the answer. It is virtually impossible in tbe existing very limited state of knowledge about global warming and the climate system to foresee all the implications for the insurance industry. Mr Knoepfel says: "If underlying climatic conditions change, it will become impossible to use past claims experience to quantify natural hazards."

Reinsurance companies suffer a further disadvantage. They are removed from the risks that they ultimately carry. Ons way in which they have sought to compensate for their lack of first-hand information about risks is to spread their reinsurance portfolio around the world. The assumption, drawn from experience, was that disasters did not happen everywhere at once. Bnt what if we are experiencing a systemic change in climate which renders that assumption invalid?

Not everyone believes that the picture is hopelessly gloomy. Mr Waceck argues that a great deal will depend on government, particularly local authorities, to enforce planning regulations – say for ths construction and siting of buildings – designed to reduce potential damage. At the same time, most contracts are negotiated annually. The industry is therefore able to adjust its pricing in frequent steps to take account of events.

That, however, begs tbe question of whether government and society face np to the implications of global warming. One of the most important lines of defence being erected by reinsurers is to stimulate public discussion. Sincs information firmly grounded in science is the key to informed debate on global warming, reinsurers have started to back research into the subject – with at least one eye on gaining an advantage over rival companies.

A related instance is the Tsunami Project, from the Japanese word for a tidal wave caused by an earthquake. The project is a joint venture between the Department of Trade and Industry and a group of British insurance companies to finance research into nstural disasters. The idea is to give the British insurance industry a competitive edge.

Better information will enable reinsurers to judge the economic rate for risk – the prime contribution the industry makes to economic activity. It might, for example, lead to higher deductibles in exposed areas or to improved protection against natural hazards. But it will be a slow process. In the end, the best weapon in the reinsnrance industry's armoury to combat global warming is its flexibility. "I think our industry has the tools to cope with change. That's our business," Mr Knoepfel said.

# Storm warning for reinsurers

Continned from page 1

Reinsurers are beginning to diversify. Several are spending heavily on research and development, setting up divisions that will specialise in developing new ways to place risk.

The strides taken by Munich Re into the backyard of German insurance giant Allianz hy merging its insurance subsidiary Hamburg-Mannheimer with Victoria Insurance may be a precursor of more dramatic moves.

"It's more apparent we're competing with Allianz, bnt it's important for us to have one foot in insurance to balance the volatile reinsurance business," says Hans-Jurgen Schinzler, chief executive of Munich Re.

With its existing insurance interests, Munich Re was well placed to benefit from the merger. Analysts say similar deals could follow as other reinsurers try to expand out of a highly competitive business. But Mr Kielhoz draws a distinction.

"Reinsurers are above all risk takers and insurers are essentially distribution companies," he says. "The natural partner of a reinsurer is an investment bank which provides advice on financial management."

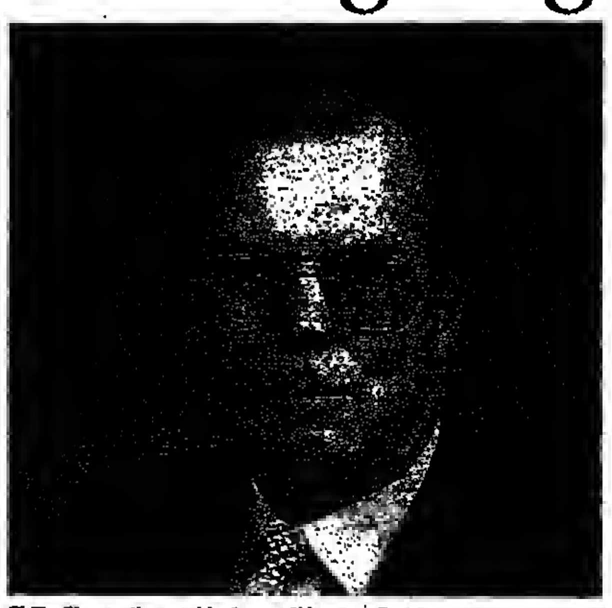
Swiss Re already has links with Credit Suisse and it may not be long before the changes sweeping reinsurance spark a wider restructuring which draws in banks. "We've had an extraordinary lack of losses and a strong bull market. The combination of all those events will not continue forever," warns Mr Pelly. Watch out, that volcano may be about to erupt.

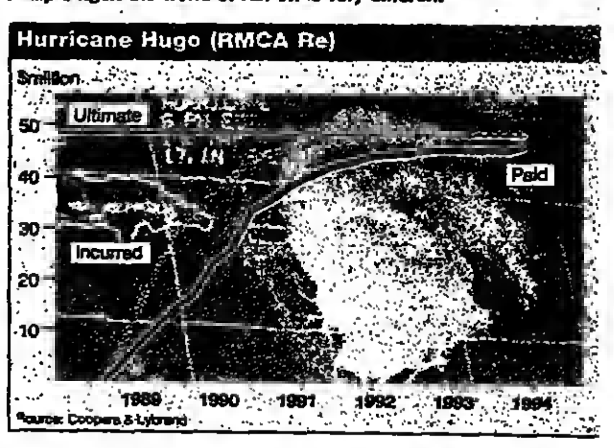


RUN-OFF • by Christopher Adams

# Simple art of going bust

## Computer modelling is helping actuaries to predict future liabilities


Philip Singer: the world of run-off is very different




When a reinsurer goes out of business, there has traditionally been little compensation for investors and policyholders. The costs of liquidation consums remaining assets and alternative schemes devised by insolvency experts often take many years to pay claims.

Even when a reinsurer knows it is in financial trouble, it is frequently unable to dig itself out of the quagmire. Difficulties with recovering money from other reinsurance companies, poor internal records, and escalating claims can conspire over several years to strangle cashflow.

However, sophisticated computer modelling is now enabling actuaries to predict more accurately the scale of liabilities a reinsurer is likely to face over the 20 or 30 years it may take to pay creditors.

Proposals for schemes which would allow reinsurers to settle all claims at a much earlier stage than has traditionally been the case are being drafted by accountancy firms such as Coopers & Lybrand and Price Waterhouse.

Such schemes could change the way reinsurers which have ceased to underwrite are managed and allow thousands of policybolders to recover some of what is owed to them within four to five years.

A reinsurer can run into difficulties for several reasons. Market conditions could deteriorate to a point where it cannot underwrite profitably and reserve adequately against outstanding claims. If it becomes too small, insurance brokers may overlook it and give contracts to bigger rivals, squeezing it still further.

For a start-up operation, heavy investment in new technology at an early stage could prove its undoing. East West, the subsidiary of Sime & Darby which ceased to take new business earlier this year, provides the most recent example.

When a reinsurer ceases underwriting and tries only to meet liabilities, it is in a state called "run-off". It will use existing assets and investment income to pay off creditors. If successful, this process will meet all claims and leave aome surplus for shareholders.

But s reinsurer in run-off usually faces cashflow problems.

In the first instance, it becomes more difficult for the company to collect what is owed under retrocession agreements – where a reinsurer buys insurance for its own liabilities. Many of ths companies from which It has purcbased cover may be creditors as well as debtors.

Trying to collect what is owed can create a tangled web of litigation that takes years to resolve, often with unexpected results. Willis Corroon's efforts to run-off Sovereign, its underwriting subsidiary, ended a few months ago after arbitration exposed a weakness in the wording of a reinsurance contract which jeopardised negotiations with other reinsurers.

Second, insurance brokers who traditionally keep records of reinsurance deals have to spend resources on servicing a company which no longer provides them with any business. They are unlikely to attach much importance to seeking information on who owes what to whom.

Third, policyholders concerned that the company may eventually be forced into liquidation will step np the rate at which they report claims, putting further strain on assets.

"What a lot of companies don't realise is that the world of run-off is very different from the world of active underwriting," says Mr Philip Singer, a partner at accountancy firm Coopers & Lybrand. "What you find is it takes longer than you thought. There may be new problems that come along, claims you haven't reserved for."

All of this often forces a company in run-off into insolvency, which presents additional problems. The government charges high fees for handling a liquidation, investment options are restricted and payments to creditors are vulnerable to fluctuations in exchange rates. Insolvency practitioners have already set np schemes to try to limit the damage where liquidation is the only other option. Several schemes exist which ensure that the insolvent company has enough cash to pay dividends to creditors on an annual basis and future claims as they arise.

In this way, a percentage of all claims can be paid earlier than might normally be expected and at less expense. One such scheme set up for five London market insurance companies – Kingscroft, Wallbrook, El Paso, Lime Stree and Mutual Re – has so far met 14-18 per cent of liabilities.

However, it can still take up to 30 years to settle claims in this way. To condense run-off into less than five yeara, actuaries must make a correct assessment of claims which could be incurred.

The track record for accurate prediction has improved under existing schemes for insolvent companies. Modern computers are processing thousands of possible run-off outcomes in minutes, calculating the impact of claims arising from silicon breast implants and Aids.

The table opposite shows how actuaries in two cases predicted the ultimate liabilities of two reinsurers and how long it would take to settle all claims. If policyholders agreed, it could be possible to make a single, final payment called a commutation more rapidly.

Mr Singer says such techniques could be applied to still solvent companies and eventually even to Equitas, which last September took responsibility for liabilities totalling more than £11bn from Lloyd's of London.

Equitas is still verifying data on more than 700 underwriting years from insurance syndicates at Lloyd's. The task of collecting reinsurance involves 250,000 policies with 2,900 reinaurers. Many future claims will arise from US pollution and asbestos-related liabilities and could take decades to settle.

But it is not these which pose the biggest obstacle to a final commutation. It is the wide-ranging aviation, motor and marine books of business that involve many thousands of policyholders which must be settled before the process can be accelerated.

RECRUITMENT

Top executives should look forwards, not backwards, for inspiration, says **Richard Donkin**

# Following in your leader's footsteps

There is a fixation bordering on obsession among an increasing number of US management writers focusing on the qualities needed for corporate leadership.

The reason is that the widespread restructuring across many businesses in the west has led to a dismantling of command and control hierarchies, which have been replaced, in many cases, by semi-autonomous teams. These require different leadership qualities spread across a greater number of people at all levels of an organisation.

Arguments continue about tha nature of leadership, whether it can be taught or nurtured and about what can be considered the "right stuff". Some consultants still draw lessons on leadership from history.

Only last month I was reading a book that urged managers to draw inspiration from military leaders.* The theory of the authors was that if it was good enough for the Marines then it was good enough for companies. It listed 14 traits and 11 principles identified by the US Marine Corps in its leadership teaching. The traits, predictably, included initiative, tact, judgment and integrity. The principles included "knowing your Marines and looking out for their welfare" and "keeping your personnel informed".

There were no surprises for anyone who has read the work of John Adair, professor of leadership at Exeter University, who has comprehensively catalogued such traits in military leaders.

The problem is that military leaders do not have a good track record when transferring their skills to private enterprise, particularly modern workplaces where teams are often expected to take on increasing responsibilities.

It is encouraging, therefore, to find another author, Morgan McCall, professor of management and organisation at the University of Southern California's Marshall School of Business, arguing in his new book** that the best executives are not necessarily those who possess an identified list of traits or who have risen to the top by survival of the fittest – what he calls "corporate Darwinism".

The real leaders, he says, are those who learn from their experiences and who remain open to continuous learning. Learning from failures, argues Mr McCall, can prove essential for a successful career. Some executives, he writes, have been too successful for their own good. He gives several examples of top executives who lost their jobs after previously demonstrating an ability to get results.

Horst Schroeder lost his job as president of Kellogg, the breakfast cereal company, in late 1989 after just nine months. He had been a gifted and rising Kellogg executive for the previous 16 years with cross-cultural experience of running operations in Europe and in the US. But Mr Schroeder, says Mr McCall, was an autocrat who misjudged the changing market and who could not adapt his style to endear his fellow executives. When the company's market shara fell, there were few willing to help him.

Part of Mr Schroeder's problem, says Mr McCall, was his past success. The very qualities that contributed to his earlier success were involved in his derailment. The company and Mr Schroder himself, he argues, should have identified the tensions at an earlier stage and resolved them. But a successful career can blind some executives to their frailties. Arrogance featured prominently in many of the high-level severences studied for the book.

How can such failures be avoided? Mr McCall belongs to a growing band of management thinkers who believe that leadership can be taught. It is notable that both his book and another forthcoming book by Noel Tichy*** focus on the work of Roger Enrico, the chief executive of PepsiCo, the soft drinks company.

In the 18 months before Mr Enrico took up his post in early 1996, he spent several months at a house he has in the Cayman Islands. He was joined by nine executives et a time for coaching sessions during which he passed on his own experiences and discussed with them how the business could grow and how they could develop their own styles of leadership.

Part of the programme involved the executives working on projects designed to grow the business. The result, says Mr Ticby, is that PepsiCo was left with nearly 100 better developed leaders who have not only pursued new business ideas in the company but who have also passed oo what they have learnt.

Mr McCall has two caveats to sucb programmes. He points out that their success depends on the coaching ability of the leading executive. He also warns that senior executives should avoid using such sessions to make judgments about junior executives. These less experienced people, Mr McCall says, need to be confident to voice their anxieties without thinking they are under scrutiny.

But, as Mr Tichy's book illustrates, when a chief executive with a hroad understanding of the direction the business is heading in has the ability to communicate a strategy to other executives, the results can be impressive. He cites the example of Bill Weiss, who, as chief executive of Ameritecb, the US telephone company, set up an intensive leadership programme in 1991 just three years before his retirement.

The scheme was designed to find future leaders and develop new strategies and values for the company. By the time Mr Weiss left, the company had been reorganised and from 1993 to 1996 it outperformed its peers, delivering e 19 per cent annual return to investors, compared with the 13.9 per cent for the Standard & Poor's Telephone Index.

There will still be those who argue that not everyone in a company can be a leader but they may be missing the point. The size and scale of many multinationals today mean it is impossible to run a company alone. Today's corporate leader is more of a policymaker than a commander.

But leaders are watched closely by employees, their fellow executives and by investors. Mr Ticby says that the successful ones tend to communicate the future direction of the company using stories to outline the case for change and to explain where the company is going and how it will get there.

The debate about leadership is oot going to change with the publication of this latest crop of books, but companies, particularly in western Europe where leadership programmes are thin on the ground, may take some inspiratioo from the way that some US company heads have sought to instil leadership into their executive teams.

**Five-Star Leadership: The Art and Strategy of Creating Leaders at Every Level, by Patrick L. Townsend and Joan E. Gebhardt. John Wiley & Sons, $24.95.*

***High Flyers: Developing the Next Generation of Leaders, by Morgan McCall, to be published by Harvard Business School Press on September 25, $27.95.*

****The Leadership Engine: How Winning Companies Build Leaders at Every Level, by Noel M. Tichy with Eli Cohen, to be published by HarperBusiness on November 12, $26.*

*E-mail: Richard.Donkin@FT.com*

## BANKING FINANCE & GENERAL APPOINTMENTS

# PROPRIETARY TRADING COMPANY

## OPERATIONAL CONTROLLER

**BERMUDA** — **EXCELLENT PACKAGE. TAX FREE**

This Bermudan based company invests in the international financial markets on a proprietary basis in a similar fashion to a Hedge Fund.

Its success is founded on a dynamic and entrepreneurial attitude to business which has attracted top calibre professionals to the unique working environment of Bermuda.

An exceptional opportunity has arisen for one individual to join the accounting and trader support team that co-ordinates the daily profit and loss accounting, product price verification, settlement procedures and other ad hoc work. Systems development and other reporting enhancements that will be effected by the pace of change in the international capital markets will also form part of the role. In this respect, candidates with experience of database systems will be of particular interest.

Suitable candidates are likely to fit the following profile:

- a minimum of 4 years experience in the middle or back office of a securities firm, hedge fund or bank
- knowledge of the accounting, settlement and pricing procedures for FX, bonds, equities and other derivative products
- graduate calibre with a high level of numeracy
- subsequent qualification relevant to financial services (eg ACA, CIMA, ACCA, SFA, MBA)
- a creative and visionary approach to business with a high level of motivation

If you have the necessary prerequisites and the ability and willingness to relocate to Bermuda, please contact **Michael Clarke** or **Zoe Walkington** by sending a detailed CV, stating current salary remuneratioo to them at: **Robert Walters Associates, 10 Bedford Street, London, WC2E 9HE** or fax on **0171 915 8714** or E-mail: **michael.clarke@robertwalters.com** or **zoe.walkington@robertwalters.com**

ROBERT WALTERS ASSOCIATES

**http://www.robertwalters.com**

LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON AUCKLAND

# EQUITY RESEARCH

**LONDON** — **RECENTLY QUALIFIED ACCOUNTANTS WITH DRIVE AND AMBITION** — **£ EXCELLENT**

As a result of an internal promotion an opportunity has arisen within the Equities Division of a leading UK based global investment bank for a research accountant. The division produces comprehensive UK and European industry sector and strategic research, enjoying lead ranking across a range of sectors.

This key individual will make a significant contribution to the desigo, development and implementation of the European research database. This will involve extensive liaison between the research department and the IT team. Excellent interpersonal skills and the ability to explain accounting issues are necessary.

The candidate must be prepared to acquire or have knowledge of European accounting practices.

The individual will also assist in:

- the provision of advice on accounting/valuation issues
- the writing of accounting/valuation research
- special projects with an accounting requirement
- the development of accounting training programmes

The successful candidate is likely to be a newly/recently qualified accountant from the "Big Six" with an excellent academic record, or an accountant already involved in equity research. Candidates will be IT conversant and have an interest in, and understanding of, historic and current accounting issues. Keeping abreast of accounting issues will be a prerequisite.

For the successful candidate there will be exceptional opportunities to enter various areas within Investment Banking.

Interested candidates should contact **Jason Garner** at **Robert Walters Associates** by sending a detailed CV stating current remuneration to **10 Bedford Street, London WC2E 9HE.** Telephone **0171 379 3333** or fax details on **0171 915 8714.** E-mail: **jason.garner@robertwalters.com**

ROBERT WALTERS ASSOCIATES

**http://www.robertwalters.com**

LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON AUCKLAND

# Currency Trader

J.P. Morgan Investment Management Inc. in London is the investment arm of J.P. Morgan & Co. Incorporated. With $235bn under management worldwide, it is one of the premier investment management houses in the world. These assets are managed in a wide range of funds, domiciled globally, which invest in various financial instruments.

J. P. Morgan Investment Management Inc. has a dedicated trading room, dealing in all the products utilised by the fund managers. Due to the continued expansion of their funds, there is a requirement to increase their currency trading team which is responsible for executing the global foreign exchange requirements.

The ideal candidate will be a strong team player who is interested in a long term career in investment management and who possesses the following skills/experience:

- three to five years in a foreign exchange environment
- an ability to execute a large volume of trades with perception and accuracy
- excellent communication and presentation skills, combined with a high level of analytical and numerical skills
- a solid education, preferably to degree level and PC literate

J. P. Morgan Investment Management Inc. is an equal opportunities employer.

If you have the necessary prerequisites please contact **Colin Gibb** on **0171 915 8845** at **Robert Walters Associates** or send a detailed Curriculum Vitae stating current remuneration to **10 Bedford Street, London, WC2E 9HE** or fax details for his attention to **0171 915 8714**, or E-mail: **colin.gibb@robertwalters.com**

**JPMorgan**



# INVESTMENT BANKING - CENTRAL ASIA

**EXCELLENT OPPORTUNITIES IN A NEW EMERGING MARKET**

**THE COMPANY:** Our client is a well funded, leading Western financial group setting up operations across the Transcaucuses region, Central Asia and Vladivostok. With headquarters in Baku, Azerbaijan, the bank will provide all investment banking services.

**THE ROLES:** Successful candidates will possess a strong interest to work for a firm that will grow to be the premier investment bank in the region. Focusing on oil and gas, telecommunications, energy and other sectors, our client is seeking candidates with experience for the following roles:

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Head of Corporate Finance | (ref. 108-79) | Head of Operations and Administration | (ref. 108-84) | Corporate Finance Analysts/Associates | (ref. 108-89) | Fixed Income Analyst | (ref. 108-94) |
| Head of Trading | (ref. 108-80) | Head of Back Office | (ref. 108-85) | Equity Traders | (ref. 108-90) | Commercial Banker (credits & syndications) | (ref. 108-95) |
| Head of Sales & Marketing | (ref. 108-81) | Head of Risk Management | (ref. 108-86) | Fixed Income Trader | (ref. 108-91) | General Manager (Vladivostok) | (ref. 108-96) |
| Head of Research | (ref. 108-82) | Human Resources Director | (ref. 108-87) | Foreign Exchange Dealer | (ref. 108-92) | General Manager (Mongolia) | (ref. 108-97) |
| Chief Financial Officer | (ref. 108-83) | Oil & Gas Project Development Director | (ref. 108-88) | Equity Analysts | (ref. 108-93) | | |

**THE PEOPLE:** Succesful candidates will speak a Russian or a Turkic language, have an energetic and entrepreneurial mind set, have proven experience and strong track record, be results oriented individuals, possess a high level of common sense, have knowledge of Russia, Eastern Europe, or other Emerging Markets, work well in a team environment and have a strong educational background.

**ANTAL INTERNATIONAL**

*'A Global Recruitment Solution Applied Locally'*

*Please send your full resumé, quoting reference no. FT3145, stating job title and appropriate reference to. Antal International, Shropshire House, 1 Capper Street, London WC1E 6JA. Telephone: + 44 (0) 171 637 2001 Fax: + 44 (0) 171 637 0949, or visit our web site on www.antal-int.com*

UK • CZECH REP • FRANCE • GERMANY • HUNGARY • ITALY • POLAND • ROMANIA • RUSSIA • UKRAINE • USA

# Executive Recruitment Opportunities

**Financial Services, Healthcare, Public Sector, IT, Property, Sport, HR, Oil & Gas & General Practices**

NBS — A BNB Resources plc company. ISO 9002 Registered

NB Selection – Recruiting Excellence

Aberdeen • Birmingham • Bristol • Cardiff • City • Edinburgh • Glasgow • Leeds • London • Manchester • Radlett • Slough • Madrid • Paris

**Founded 10 years ago, NBS is the market leader in middle and senior-management executive recruitment. We have achieved this success by an absolute commitment to providing the best service for our clients and candidates. Our ambition is to grow in the UK and internationally and we are hiring recruitment consultants at all levels.**

**Excellent Salary + Bonus + Benefits**

**London/Thames Valley/Midlands/Scotland**

**THE COMPANY**

- 90 consultants in 12 UK offices.
- Continuing investment in people and technology. Exceptional salaries and benefits available within attractive career structures.
- International presence and further overseas growth planned. Culture of excellence underpinned by ISO 9002.

**THE POSITIONS**

- Ambitious and established recruitment or other executives seeking new careers to the highest levels.
- Variety of sector specialist positions available. Industry experts also required to enhance our leading practices and regional offices.
- Recruitment positions also available in Assessment Services and Interim Management.

**QUALIFICATIONS**

- Excellent track record in recruitment, industry or commerce. Sales driven. Ambitious.
- Good academic credentials and, ideally, professional or business qualifications.
- Commitment to adding value and client service. Attention to detail and literacy also important.

**Please send your CV, quoting ref HO708JHB/FT, to James Hervey-Bathurst, Managing Director, NB Selection Ltd, 54 Jermyn Street, London SW1Y 6LX**

هكذا من الأصل



# Compliance and Documentation

**Excellent salary + bonus + benefits** — **Leading UK Bank**

Our client is a highly rated major UK financial institution committed to significant future growth and expansion. As a result of increasing business volumes and new market initiatives, a requirement for compliance managers and documentation managers has been identified within the Bank's Treasury Division.

## Regulatory/Risk Compliance Managers

You will be responsible for:

- the identification, surveillance and monitoring of compliance issues;
- the establishment and maintenance of a control framework and the formulation of policies and procedures;
- the provision of specialist and transactional advice to dealers and product managers.

You will possess some or all of the following:

- 3-5 years' relevant experience with a leading bank or regulator or as a consultant;
- extensive up-to-date knowledge of Bank of England and SFA rules and Capital requirements;
- a working knowledge of markets and instruments traded;
- strong communication and numeracy skills;
- attention to detail. (Ref P180)

## Documentation Managers

You will be responsible for:

- negotiation and documentation of a wide variety of capital markets, money markets and derivative products;
- provision of transactional guidance and specialist advice on markets and products;
- liaison with senior management and with external advisers and regulatory bodies.

You will possess some or all of the following:

- 3-5 years' relevant experience within the legal/documentation section of a leading bank or legal firm;
- a relevant qualification;
- a strong personality with good negotiating and interpersonal skills;
- personal motivation and an ability to quickly assimilate new products and markets;
- attention to detail. (Ref P181)

Salaries are backed by an excellent range of benefits including performance-related bonus, car and medical insurance and there are good prospects for rapid career development for the right candidates.

*To apply please send full CV to Peter Watts, Austin Knight UK Limited, 20 Soho Square, London W1A 1DS. Please quote the appropriate reference number in your covering letter.*

**Austin Knight**

UNITED KINGDOM • FRANCE • THE NETHERLANDS • USA • CANADA • AUSTRALIA

# CORPORATE AND INSTITUTIONAL CREDIT ANALYSTS

LONDON AND HALIFAX — COMPETITIVE BENEFITS PACKAGE

Following its conversion to plc status, Halifax plc is now one of Britain's four top banks and no financial institution in the UK is more strongly rated. We are committed to building on this success by expanding in our existing markets and developing new markets through the creation of new businesses and products. Group Treasury is one of the six key businesses of Halifax and is already a major player in Sterling and interest rate markets - our conversion has presented a new set of opportunities for our Treasury operation in what is a dynamic and growing area.

The development of our Treasury and Commercial Lending activities has resulted in the need to strengthen our Credit Department in certain key areas to ensure that our opportunities for growth are maximised, but in a prudent credit and risk management environment.

We are looking for Credit Analysts to assist in the development of our institutional, relationship and commercial lending (particularly "bigger ticket" transactions) activities and for corporate credit analysis generally. Responsibilities will include analysing credit proposals and business opportunities within particular Halifax business areas to ensure that the credit submissions contain full and relevant information to enable a decision to be made.

You will have at least three years' experience in one or more of the following areas within a credit department of a major bank or similar institution:

- Institutional/corporate credit analysis
- Deal structuring (e.g. leasing)
- Commercial property - including development projects
- Project finance (including PFI), domestic and international
- Housing associations

The successful candidates will be graduates with a full understanding of the techniques of corporate and/or financial institution credit analysis and deal structuring. A high degree of numeracy and PC skills are essential prerequisites.

You will be able to communicate effectively at all levels and work closely with, and add value to, the individual business teams and aid the development of these businesses within Halifax plc.

These positions carry a highly competitive and generous benefits package.

**To apply, please send full CV and details of experience in the above areas to: Philomena Gray, Head Office Personnel, Halifax plc, Trinity Road, Halifax, West Yorkshire HX1 2RG.**

**HALIFAX**

*Equal opportunities for all - our policy is as simple as that*

# Treasury Professionals

**Highly Competitive Salary + Car + Benefits**

Our client is a highly rated major UK financial institution committed to significant future growth and expansion. Working in a dynamic environment will enable you to make a major contribution in the area of risk management where the objective is to strengthen key parts of the team to create a centre of excellence in market risk management.

## Market Risk

You will be a graduate with a strong quantitative background and substantial PC skills. An additional postgraduate qualification in finance or a quantitative discipline will be of benefit. You will have worked in interest rate and capital markets for at least three years and have a proactive and flexible approach.

Responsibilities will include:

- limit monitoring and exposure modelling;
- developing VAR analysis and reporting and option pricing models;
- assessment of market risk in the Group and Treasury balance sheets;
- proactive identification of opportunities for enhancing Treasury profitability.

Working closely with trading staff and systems developers, you will be expected to utilise your mathematical and inter-personal skills to work as part of a small team to add value and significantly develop our market risk management expertise. (Ref P178)

## Product Development

Dynamic, proactive and creative, you will be accomplished in expanding new and existing concepts to develop retail and Treasury asset and liability products.

You will be a graduate, highly numerate and have substantial PC skills. With at least three years' financial services experience (including interest rate derivatives) and good credit and market risk skills, you will be able to demonstrate a thorough understanding of financial techniques and to relate this knowledge to developing innovative products.

Working with Treasury and retail professionals, you will be responsible for the identification and development of opportunities to enhance the product range enabling significant value to be added. (Ref P179)

For both these posts the salary and benefits package will reflect your skills and experience and will not be a barrier to the right candidates.

*To apply please send full CV to Peter Watts, Austin Knight UK Limited, 20 Soho Square, London W1A 1DS. Please quote the appropriate reference number in your covering letter.*

**Austin Knight**

UNITED KINGDOM • FRANCE • THE NETHERLANDS • USA • CANADA • AUSTRALIA

**National Australia Group UK**

# Decision Systems Manager

**Glasgow** — **£50,000 Package + Relocation**

National Australia Group is the European holding company of the National Australia Bank, one of the largest and most successful financial services groups in the world.

The European group comprises of the retail banking operations of four leading retail banks in the UK and Ireland: namely Clydesdale Bank based in Glasgow, Yorkshire Bank based in Leeds, Northern Bank based in Belfast and National Irish Bank based in Dublin.

The Decision Systems Manager will be a key appointment to the NAG European Credit Bureau responsible for management of a team of credit specialists focusing on the application of decision tools and supporting improvements in the profitability of the business streams.

The successful candidate will be responsible for managing all aspects of credit scoring and will be solely responsible for the management of decision tools across the European retail banks including reviewing, monitoring and ensuring each banks' scoring strategies fit with overall retail credit policies to maximise the loan portfolio quality.

Further responsibilities will comprise of validating all scoring models and reviewing for effectiveness, co-ordinating all retail credit scoring actions for internal and external audits.

The successful candidate will possess at least five years experience of the implementation and use of scoring systems with demonstrative leadership and management skills. They will be an experienced project manager whose excellent interpersonal skills will compliment a strong knowledge relating to scoring issues specific to the retail banking environment and full credit life cycle.

Interested applicants should forward a comprehensive CV, including salary details and quoting reference 358663, to David Brodlie at Michael Page Finance, 150 West George Street, Glasgow G2 2HG or fax 0141 331 1426.

**Michael Page Finance**

Specialists in Financial Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

# FLEMINGS

# Corporate Finance Manager Mining Team

*City*

Flemings is an international investment bank with a network of offices in 41 countries around the world and key businesses in asset management, securities and investment banking. The investment banking business provides a full range of advisory, mergers and acquistions and financing services as well as assisting companies in raising equity and equity linked capital. Flemings is also a leading advisor and financier to the mining industry through its specialist mining group which has operations in the United States, Australia, South Africa and Latin America.

Due to the expansion of this mining team, Flemings is recruiting an experienced corporate finance manager. Based in London, the role will involve analysing and assisting in the execution of transactions as well as liaising with overseas offices. Candidates will have at least three years' experience within a mining team in corporate finance or securities research or have worked in a mining company. In addition to sound commercial judgement, interpersonal skills and technical expertise, the candidate will demonstrate:

- Analytical and financial modelling skills
- In-depth understanding of the mining industry
- A strong academic background, preferably with a good degree or similar professional qualification.

This is an excellent opportunity for career advancement within an expanding team and offers the possibility of an international position in the future.

Interested candidates should contact Ian L. Tucker or Susan Langdon on 0171 491 4650 or write, enclosing a full curriculum vitae, to Stephenson Cobbold, 21 Arlington Street, London SW1A 1RN. Fax: 0171 491 4630

# *Opportunities for Change in Front-Office Banking*

### *Corporate Finance ACA's — to £40,000*

Are you of the calibre to fill one of the most coveted roles in the City?

Our client – a leading international bank seeks only the very best candidates:

- Recently qualified ACA's (first time passes only)
- Second European or Scandinavian language
- 2:1 first degree or above
- Excellent 'A' levels

If you have the profile to match these needs, a rewarding career can be assured.

We will be pleased to advise you of opportunities at entry level; or for the experienced Corporate Financier who seeks change to the currently favourable market conditions.

### *Quants/Risk Analysts — £40-90,000*

Currently a number of Global Players are looking to recruit quality individuals into their Quants and Risk teams.

The successful applicants must be motivated by a move to work alongside the very best in the business, and possess the following:

- *1/2:1 Maths/Physics. Phd preferred*
- 1-3 years' Risk/Pricing experience
- Strong Modelling skills
- The right attitude to succeed

Openings exist from entry level up to VP for candidates seeking a genuine challenge and the chance to join market leading teams within top tier institutions.

### *M&A Specialists — to £80,000*

Committed to expansion, this premier investment bank is looking for a handful of the highest calibre individuals to build on its success. From Associate through to Director level, opportunities exist to work on international assignments in the Financial Institutions, Telecoms and Transport sectors. The ideal candidates should be:

- 25-30 years old with stunning academics
- ACA qualified with relevant sector audit clients or a genuine interest in a particular sector
- Able to demonstrate an exceptional track record

While the Corporate Finance market continues its drive towards sector specialism, secure your focus now during this period of transition.

*Contact: Susan Norey or Amanda Lole*

### *Fast Track Analysts — to £50,000*

Are you a frustrated fast track graduate trainee looking for your next career opportunity within Investment banking? Do you have a grounding in credit analysis and/or cash flow modelling?

We are currently handling a number of existing roles with top investment banks in the following areas:

- Structured Finance (Deals/Products)
- Project Finance
- Relationship Management

If you have demonstrated a real record of achievement over the last two years and have not reaped the benefits, now is the time to call. Unrivalled progression and financial reward are there for the taking in this buoyant market.

*Contact: Andrew Oliver or Sarah Mellersh*

**16-18 New Bridge Street, London EC4V 6AU**
**Tel: 0171 583 0073 Fax: 0171 353 3908**

**BADENOCH & CLARK**
*recruitment specialists*

**Appointments Advertising**

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For further information please call:

Toby Finden-Crofts on +44 0171 873 4027

Financial Times

**Bank Accountants -**
International Consulting Opportunities: Interesting long and short-term advisory roles to modernize accounting at banks and central banks in emerging economies with a highly successful, U.S. based, international consulting firm. Excellent remuneration and growth. Retired accounting officers may also contact PO Box 16574, Washington DC 20041, USA.

**CORPORATE FINANCE SPECIALISTS -**
**Eastern Europe**
**Energy Utilities**

NY-based international investment banking firm seeks experienced corporate finance specialists for multi-million dollar energy sector privatisation and refinancing projects in Romania, Bulgaria and other CEE countries. Ideal candidates should have:

- At least 3-5 years of relevant experience
- Knowledge of Romanian, Bulgarian or other Slavic languages
- Prior work in CEE or NIS projects

**Interested candidates should fax CV to:**
***Ms Lara Dunaieff at 212-533-7449 (USA)***

# Emerging Market Analyst

## Excellent Package

Our client is a successful Fund Manager involved in Emerging Markets for institutional clients. Due to increased volumes, a need has arisen for a further research analyst to specialise in investment in the former Soviet Union.

Responsibilities will include:

- To liaise with Investment Managers and subseqoently to provide comprehensive country research.
- To assist Investment Managers with the analysis of industries and individual companies.
- To prodnce weekly political and economic updates on assigned markets and sectors.
- Frequent travel.

The ideal candidate is likely to have:

- A numerate degree and MBA.
- Strong analytical skills and PC experience.
- Excellent interpersonal and team skills.
- Previous experience of research into the former Soviet Union.
- Fluency in Russian, English and Spanish as well as excellent written communication skills.
- Experience of working in Eastern Europe or Russia preferred.
- Natural curiosity, tenacity and high energy levels.

Opportunities for ambitious candidates are superb in this rapidly expanding organisation. As a dedicated analyst you will be able to gain immediate credibility with peers and senior colleagues, displaying self-confidence and maturity. In a company which recognises that people are a critical resource, renumeration will be highly competitive.

*Interested candidates should contact BBM Selection, enclosing a full CV, which includes contact telephone numbers. All applicants will be treated in the strictest confidence.*

76 Watling Street
London
EC4M 9BJ

BBM SELECTION

Tel: 0171-248 3653
Fax: 0171-248 2814
E-mail: 448@bbm.co.uk

# PRIVATE BANKER

## Relationship Management/Business Development, Iberian Markets

**Competitive salary + bonus** **London**

Complemented by offices worldwide, the strength of this top quality Private Bank comes from being a wholly owned part of a leading international banking group with a premier credit rating and a strong capital base.

Whilst there is a good book of business, a key aspect for the Relationship Manager is to develop a portfolio of private clients focusing on the Iberian market. Of equal importance will be managing and developing client relationships and liaising with in-house product specialists. This will entail working with a successful team to develop and implement new marketing strategies.

Candidates will have several years experience of private banking including exposure to Iberia. Familiarity with investment management, trusts, foreign exchange, securities and cash management is required. Displaying a competitive edge yet organised and good team players, candidates must be fluent in Spanish.

Please reply with full CV, quoting ref: 1180, to James Walmsley at Ennismore Partnership Ltd., 48-50 Mortimer Street, London W1N 7DG, who is advising on this appointment.

Ennismore
INTERNATIONAL SEARCH AND SELECTION

*CCF CAPITAL MANAGEMENT is 100% subsidiary of CCF Group. Our company is a portofolio management company essentially working with corporate and institutional investors for all classes of assets and managed 124 billion of Francs. We are seeking a :*

# EUROPEAN EQUITIES MANAGER

You should be a graduate and ideally in engineering. You should have a thorough knowledge of financial products and quantitative portfolio management principles and be familiar with current computer tools (Access, Excel)
Thanks to your 2 or 3 year's experience with a stockbroker, an asset management company or in a research department, you can demonstrate proven success in a similar job.
Dynamism, reliability and motivation are essential qualities to succeed in this job. This position will give substantial career opportunities within the company for the successful candidate.
Company located in Paris

Please forward your application to
CCF Capital Management
Sylvie de Villemandy
75419 Paris Cedex 08
FRANCE

PREUSSAG

Als Mehrbereichskonzern mit einem Umsatz von über 25 Mrd. DM bündeln wir die Kompetenz und Leistungsfähigkeit von über 200 Tochtergesellschaften.

# Mitarbeiter/in Mergers & Acquisitions

Zur Verstärkung des Teams der Abteilung Mergers & Acquisitions suchen wir zum 1. Januar 1998 oder früher eine/n neue/n Mitarbeiter/in.

Sie sind kreativ, motiviert und kommunikativ. Nach 3 bis 5 Jahren im internationalen M&A-Geschäft – möglichst in einer Wirtschaftsprüfungsgesellschaft oder einem Industrieunternehmen – suchen Sie eine neue Herausforderung.

Wir freuen uns auf Ihre Bewerbung für diese interessante und verantwortungsvolle Aufgabe. Bitte senden Sie Ihre Unterlagen an die Personalabteilung der

**Preussag AG**
Karl-Wiechert-Allee 4, 30625 Hannover

*Challenging and Prestigious Career Opportunity*

# Funds Administration Manager

Major Investment Bank Bahrain Based — Excellent Remuneration Package

*Our client is one of the Arab world's fastest growing, most successful and prestigious investment banks, of international repute, with its headquarters in the State of Bahrain. The Bank's principal activities are investment in, and advisory services relating to, treasury operations, international real estate and corporate investments and marketable securities. Recently the Bank initiated a Funds Management Program which involves placing funds with professional managers with target risks and returns. This program is managed by a small focused team within the Bank's treasury department, supported by external consultants and a strong internal monitoring and control infrastructure. The Bank is now in the process of launching a Global Asset Management program.*

*Our client is seeking to employ a Funds Administration Manager. Whilst the funds administration functions are being largely outsourced to an external funds administrator the selected candidate will be responsible for monitoring all external funds administration functions, liaising between clients and fund administrators and overseeing all administrative, operational and control activities. Other responsibilities include undertaking operations due diligence reviews on fund managers and administration managers and overseeing the net asset valuation process of underlying funds and the client portfolio. The candidate will also be responsible for maintaining share registers and coordinating the completion and receipt of all legal documentation.*

*The candidate should have a professional qualification in banking and finance with at least five years experience with a funds management firm. A company secretarial qualification would be an added advantage. Initiative, good communication skills and the ability to work in a team-oriented environment are also required.*

*The attractive remuneration package is designed for a top calibre individual.*

***If you consider yourself to be the person for the position, then please forward your complete resumé, to reach us within 10 days, to the following address quoting reference 97/T6. We will reply to you within four weeks of receipt of your resumé. Strict confidentiality is assured. Director of Recruitment Services, Ernst & Young, PO Box 140, State of Bahrain. Fax: 00 973 535 405.***

ERNST & YOUNG

Les Echos

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world.
For information on rates and further details please telephone:
Toby Finden-Crofts on +44 171 873 4027

**SODEXHO, a French international group (turnover 27 billion francs, workforce 140,000) is a world leader in the area of catering for companies (food and services). Our "Remote sites management" business has a turnover of 1.2 billion francs worldwide and a workforce of 12,000. We are seeking for**

# ADMINISTRATIVE AND FINANCIAL DIRECTOR FOR NIGERIA

Working closely with the Managing Director, you will be in charge of financial management for operations in the country (accountancy, management control), and you will supervise the local accountancy department. You will manage financial data, structure them and ensure financial reporting of the business both to the Managing Director for Nigeria and to the Administrative and Financial Director for Africa. Your task will include assistance in analysing collected information with the aim of optimising the subsidiary's results. You will also be responsible for the administrative aspect by managing relations with local government authorities. You are about 30, trained to a high skill level (+ a business school diploma), and acquired similar experience of 3 to 5 years in an environment involving services, distribution or public works.

**This post requires fluent written and spoken French and English, business computing literacy, great awareness of international problems and provides good opportunities of advancement within our Group. The post to be filled is in Port Harcourt, Nigeria.**

Please send your candidature (CV, letter of motivation and required salary) with ref. RAF/FT to SODEXHO, DRH Gestion de Bases Vie, BP 100, F-78883 St-Quentin-Yvelines cedex.

Sodexho
*Satisfaire un monde de différences*

# FORFAITING

A major European bank is seeking to build up a new London-based Forfaiting team. The team will initially consist of 5 professionals: 2 Forfaiters, 2 Administrators and 1 Primary Acquisitor based in Germany.

The open positions

- **Senior Forfaiter - Head of Group**
  The successful candidate will have a minimum of 6 years experience in both the the Primary and Secondary markets and must have good management skills.
- **Forfait Trader**
  Minimum of 3 years relevant experience.

Candidates for both of the above positions should be computer literate and have good marketing and trading skills.

- **Forfait/Loans Administration**
  Minimum of 5 years relevant experience with emphasis on Forfaiting. Candidates must be computer literate and ideally familiar with the ROHIRST Forfait Management System.

A knowledge of German would be an advantage for all positions.

The remuneration package will be competitive and reflect the experience of the successful candidates.

**To apply, please write, enclosing your C.V. to Box A5210, Financial Times, One Southwark Bridge, London SE1 9HL. Your application should include a note of your current remuneration package and advise for which of the three position you are applying.**

# ENERGY ANALYST/SALES PERSON

Panmure Gordon & Co. Limited, is one of the City's leading stockbrokers. It is a wholly-owned subsidiary of West Merchant Bank which is a highly successful subsidiary of the Westdeutsche Landesbank Group, one of Germany's largest financial institutions and ranked 17th largest banking group in the world. The operation is undergoing impressive growth and as part of this expansion is seeking to recruh an Energy Analyst/Sales Person.

Expected to be in their late twenties or early thirties, candidates must have a first class honours degree in economics and/or business studies and be SFA registered. In addition they will have worked in a downstream environment for a major oil company and/or coal mining company.

Applicants will be required to demonstrate the following skills:

- Werkervaring in een "emerging market" land en een grondige kennis van het Engels, Duits en Nederlands zijn een vereiste
- a firm understanding of the overall macro-economic environment and its impact on corporate performance
- excellent written and oral communication skills with the ability to present ideas in an effective and lucid manner.

The roles will encourage the formulation of strategy for the trading/sales desk along with the production of investment reviews and publications.

A competitive package including bonus and full benefits is available for the successful candidate.

Please send your updated CV with salary details, quoting ref. PG9601 to Diane Tissera - Personnel Manager at West Merchant Bank, 33-36 Gracechurch Street, London EC3V OAX

PanmureGordon
A member of the WestLB Group

**Appointments Advertising**

**appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.**

**For information on advertising in this section please call**

**Toby Finden-Crofts**
**0171 873 4027**

**Financial Times**

# EMERGING MARKETS

## Graduate Economist

Competitive Salary and Incentive Package

A major London-based emerging markets investment house is seeking a graduate economist to work within its Chief Investment Office. The successful candidate will have an outstanding academic background. He or she will be capable of analysing a complex field of inputs and drawing investment conclusions from them. The position involves liaising with the company's country and regional emerging markets specialists, generating input and output documentation in accordance with its investment process, and writing for its various publications. Primary research also requires occasional travel around the emerging world and linguistic ability is therefore a plus. This is an excellent opportunity for an exceptional individual.

Please reply to Box No. A5205, Financial Times, One Southwark Bridge, London SE1 9HL with full details.

# Marketing Executive

**£60,000+ base**
**plus BB and 100% bonus opportunity**

Financial structuring and advisory arm of one of the World's largest banks require individuals with highly defined numerical and analysis skills, to help in the closure of their big ticket transactions.

You will have excellent communication skills and be able to translate complex ideas into client-friendly solutions. You will be expected to build credible relationships with these clients and to follow the deals through to completion as well as being able to think on your feet.

You will have experience of working as part of a team and will be currently using advanced DCF techniques and analysis packages.

A thorough knowledge of tax practice and/or cross-border structuring of deals in excess of £20m would be advantageous.

Currently you will probably be working in the project advisory arm of a major bank or be involved in highly structured deals within industry.

Please reply in strictest confidence to Bill Morrow extn 202 or Mair Goodson extn 211 at the address below.

**Morgan Chase Europe Limited**, 54 Grosvenor Street, London W1X OEU
Telephone 0171 629 5444 Facsimile 0171 629 7445
e-mail morganchase@mail.bogo.co.uk

# Exco Securities Limited

## SECURITIES BROKERS

Exco Securities Limited is the securities arm of Exco Plc, one of the world's most successful integrated money and securities broking firms.

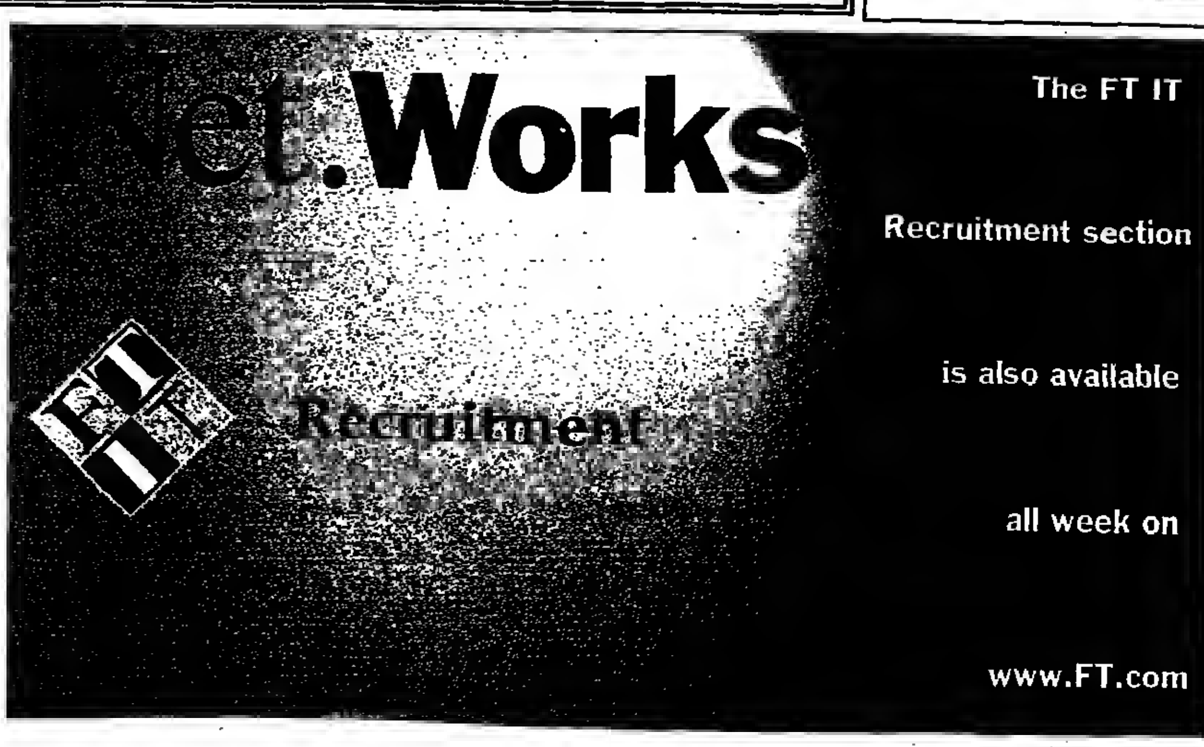
As part of our expanding operations across European markets and in line with our value added approach to the business, we are looking to recruit high quality individuals for our London operation.

We are interested in people with a background in investment banking and/or securities, who will bring with them the ability to add value to our business and that of our customers. We're also keen to hear from graduates, with a genuine interest in securities, to train as Brokers.

For successful candidates the rewards and career development opportunities will be exceptional.

Please write, with full CV, to Jacqueline Black, Personnel Department, Exco Securities UK Limited, Sherborne House, 119 Cannon Street, London EC4N 5AX.

EXCO



## ACCOUNTANCY APPOINTMENTS

COLGATE-PALMOLIVE (UK) LIMITED

# Budget and Planning Manager

**Surrey** — **c £50,000 + Car + Bonus**

Colgate-Palmolive (UK) Ltd is part of the global Colgate-Palmolive Company that manufactures, markets and sells oral care, body care and household products. Colgate-Palmolive operates in 194 countries and has strong global brand names. The Company is one of the most established consumer products ... people worldwide.

The UK subsidiary of Colgate-Palmolive employs 175 people in its head office in Guil... plant near Manchester. Turnover is in excess of £110 million and gross profit is over 15%. Colgate-Palmolive UK is the leading UK oral care supplier with 34% of the do... planning function is a centre of excellence, maintaining a very close relationship with sales, marketing and operations. Its key purpose is to develop and maintain company, ... customer financial pla... promotion has resulted in the creation of this exciting opportunity.

Key elements of the B&P Managers role include:

- Co-ordinating and communicating financial plans to local and corporate management.
- Monitoring progress against financial plans and recommending changes.
- Managing and developing financial information systems.
- Managing a Budget and Planning team of five people.

Working in a highly commercial environment, you will be expected to challenge the status quo, influence key decision makers, add value to commercial processes and play a significant part in the Company's future success.

... will be a qualified accountant, preferably holding an MBA, with five years post ... A working knowledge of an FMCG or retail organisation would be an advantage. ...ive, ambition and proactivity will ensure your success in this role and future career ... results orientated individual with the ability to influence and challenge, you will also need ... interpersonal and people management skills.

...you feel you have the ability to add to Colgate-Palmolive's ongoing success, please send a comprehensive CV to Alistair Robinson at Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead KT22 8AG or telephone him on 01372 375661 or fax 01372 370101.

**Michael Page Finance**
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

---

# FINANCE DIRECTOR

**PARIS** — **TO £50,000 + CAR + BONUS**

Millions of lives are protected daily by the companies which form Kidde International, a division of a leading UK based corporation. The companies of Kidde International occupy a world market leadership in the supply of fire detection, fire suppression and safety control systems for aircraft, ships and vehicles, as well as industrial, commercial and consumer applications. This is a truly global operation, turning over in excess of £600 million.

The need has arisen to appoint a commercially minded Finance Director to assist with the integration of a newly acquired fire protection business operating within the aerospace sector into an existing Kidde International company. Reporting directly to the Managing Director of this FF70 million business unit with a dotted line to the sector's Finance Director you will be responsible for:

- the provision and interpretation of accurate management information to enable effective business decisions to be taken
- budgeting and forecasting together with comprehensive performance analysis
- statutory returns, audit and monthly packs satisfying sector, divisional and group requirements
- management, motivation and development of the finance team
- the company's MIS policy, ensuring systems requirements are met on both a timely and cost effective basis
- management of internal cost efficiency projects
- ad hoc projects as requested by the Managing Director and operating Company Executives

The successful candidate will be a graduate, French qualified accountant with a minimum of five years' post qualification experience including solid exposure to a production environment.

Experience of post acquisition accounting, integration of newly acquired business into existing organisations, and legal reporting requirements of a business in France would be advantageous.

Personal qualities should include fluency in both French and English, written and verbal, and excellent inter-personal skills. You should be able to demonstrate a proven track record as a hands-on financial executive who leads by example and who is decisive, energetic, organised, disciplined and team orientated.

Interested candidates who feel they match these requirements should forward a detailed CV stating current salary package to Kacey Young or James Bacon at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Telephone +44 171 915 8867. Fax +44 171 915 8714. E-mail: james.bacon@robertwalters.com

ROBERT WALTERS ASSOCIATES

http://www.robertwalters.com

LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON AUCKLAND

---

# FINANCIAL DIRECTOR

International Marketing Services

**c.£75,000 + Car + Benefits**
**SUSSEX**

Loyalty Management International (LMI) represents and develops the overseas business interests of the highly successful Air Miles loyalty programme currently operating in North America and Europe. Through well targeted research and development, further markets will be launched with new and exciting products as opportunities arise.

LMI is committed to further developing its success based upon continual marketing innovation, allied to a strong awareness of each market sector within which it operates. To manage its planned international growth strategy, a key opportunity has arisen for an outstanding finance professional. Reporting to the Chairman, you will take full responsibility for all aspects of financial control and for monitoring and interpreting the performance of the business group, applying technical and commercial expertise to a broad range of accounting and business issues. Specifically you will:

- Work closely with senior management in order to investigate, negotiate and implement expansion opportunities when they arise.
- Maintain relationships with investment and financial institutions in order to capitalise favourably when needed.
- Nurture and develop a small head office accounting team by adopting a 'hands on' policy to the daily management of the function.
- Establish strategic financial policies and monitor the senior financial management of the company's subsidiaries.

As an ambitious, self-motivated accountant, you should be able to demonstrate first class communication skills and be capable of operating at a senior level, dealing with complex corporate finance, tax, legal and business driven issues. You will be aged mid to late thirties, a graduate, qualified from a leading professional firm and able to demonstrate a highly successful track record in a marketing driven international group. Considerable overseas travel will be required and consequently foreign language skills would be a distinct advantage. This is a high profile role offering an outstanding career opportunity in a business dedicated to quality and growth.

Interested candidates should write to Mark Rowley at Herst Austin Rowley, 30 St George Street, London W1R 9FA, enclosing a full Curriculum Vitae and quoting reference HAR0149. Fax 0171 409 7572. E-mail: mark@herst.co.uk

HERST AUSTIN ROWLEY
HW Group Company

...CAPE TOWN · COLOGNE · LISBON · LONDON · MADRID · PARIS · PHILADELPHIA · SÃO PAULO · WARSAW

INAC

---

# FINANCIAL DIRECTOR

CONTRACT ENGINEERING
TO £50,000 PACKAGE, CAR — NORTH WEST

This is a new appointment with a major contract engineering group. Operating nationally via a regional network, the company undertake a diverse range of engineering/service activities. The contracts, varying considerably in size, extend across a wide spectrum of industries.

Reporting to the Managing Director and playing a crucial management role, responsibilities are for the overall control of the finance and IT functions of the business. Key is the setting up of appropriate management information and control systems, advising senior colleagues on issues affecting the company's commercial activities.

Candidates will be qualified accountants, with a minimum of five years' experience in a contracting environment. You will have operated at a senior management level with a proven track record of success and be eager to play a total business role within the company.

Interpersonal and development skills will be taken for granted with strength of character being extremely important.

Please reply in confidence, enclosing your CV and current salary details, quoting ref: FT2006, to Joelle Warren at Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester M3 2LF. Tel: 0161-839 2000, Fax: 0161-839 0064. Internet: http://www.topjobs.net/howgate

**Howgate Sable** & PARTNERS
EXECUTIVE SEARCH AND SELECTION

London · Manchester · Leeds · Newcastle

---

# FINANCE DIRECTOR

**Private Medical Insurance**

**Jeddah, Saudi Arabia**

**c.£70,000, plus expatriate benefits**

BUPA leads the UK private healthcare market and has ambitious growth plans for its international operations. It has recently entered into a joint venture to provide private medical insurance products and services throughout the Kingdom of Saudi Arabia. As Finance Director, you will:

- Control and administer all financial management and accounting functions
- Prepare business plans and budgets, reporting and monitoring subsequent performance
- Be responsible for the ultimate financial evaluation of all products and provider negotiations
- As a key player in the executive team, advise on the financial implications of policy decisions and provide strategic financial information

You will be a qualified accountant with progressive financial management experience in the healthcare or general insurance industries. Practical working experience of the Middle East is essential.

This is an exciting opportunity for an ambitious, commercially-focused accountant to influence and be part of BUPA's international growth plans. A full, accompanied expatriate package is offered, including tax free salary.

Interested candidates should write with full CV, quoting current rewards package to Peter Sandham, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY, Tel: 0171 430 9000, Fax: 0171 405 5995, quoting ref: HPS/13232/FT.

BUPA

**Hoggett Bowers**
EXECUTIVE SEARCH & SELECTION

INVESTOR IN PEOPLE

THE PSD GROUP

---

# Group Financial Controller

## International Media Group

**Netherlands** — **c.NLG200,000 + Bonus**

This dynamic media group, turnover several hundred million dollars, operates four International Divisions worldwide. It has made several acquisitions during 1997 in the US, UK and Far East whilst still growing organically. The new Group Controller reporting to the Finance Director will have responsibility for ensuring the integrity, controls and systems are in place globally. There will be extensive world wide travel.

**The Role**

- Responsible for preparation of monthly financial reports.
- Ensure financial controls are in place to meet growing demands. Integrate acquisitions into Group systems.
- Heavy involvement in planning process.
- Effectively manage both International/Regional finance teams, support where necessary.

**The Candidate**

- Graduate Chartered Accountant. Age early 30's. Proven track record within pressurised International Group driving through change and tightening controls.
- Outstanding systems, communication and presentation skills. Ability to command respect across business.
- Self-motivated, enthusiastic approach, pro-active style with commercial flair. Thrive in challenging and demanding environment. Computer literate, technically excellent.

Please apply in writing enclosing full CV, quoting reference number LBA/109.

LAWRENCE BARNETT

Metropolitan House, City Park Business Village, 20 Brindley Road, Manchester M16 9HQ.
Tel: 0161-877 4439 Fax: 0161-877 6708

# GROUP CHIEF ACCOUNTANT

***MAJOR PLC***

***TO £75,000 PLUS FULL BENEFITS***

Our client is a London-based FTSE 100 company, clearly recognised as the leader in its market, and with a very impressive track record of expansion and increased profitability, both in the UK and globally.

The senior financial management team is being redrawn in order to provide increased business support, and we have been asked to identify the Group Chief Accountant.

The role reports to the Group Finance Director and the responsibilities include all statutory and regulatory reporting, treasury management, taxation and shareholder and analyst relationships. Equally important will be promoting the highest standards of excellence.

You should meet the following criteria:-

- Graduate Chartered Accountant
- "Big Six" trained
- First time exam passes
- At least five years' senior financial management experience at the heart of a substantial quoted plc, or the equivalent audit experience.

The negotiable remuneration package will include discretionary bonus and profit sharing scheme, car allowance, and the full range of benefits.

*TO APPLY, PLEASE SEND A FULL CURRICULUM VITAE, QUOTING REFERENCE 3042, TO PETER WILSON FCA, AT SCI SELECTION, FINLAND HOUSE, 56 HAYMARKET, LONDON SW1Y 4RN. TEL: 0171 930 6314 FAX: 0171 930 9539.*

SCI SELECTION

*A division of Stanton Chase International*

---

BG plc

# *International E&P Accountant*

Thames Valley

£35-£40k + Bonus +Car+Bens

With a turnover in excess of £4bn, BG plc is a leading player throughout the entire gas chain from exploration and production through to transportation and distribution, power generation and market development. BG Exploration & Production's worldwide portfolio of assets extends beyond the UKCS to Europe, Asia Pacific, the Americas, the former Soviet Union, Africa and the Middle East. Within this dynamic international organisation, there is now a requirement to augment the head office finance team with an exceptional E&P accountant.

Working within a team responsible for 20 international companies, you will be heavily involved with the analysis and review of submissions from the global network of offices, UK statutory and group reporting and liaison with operational and support functions.

The successful candidate will be a qualified accountant with a minimum of 2 years post qualification and 4 years E&P experience. With an excellent academic background, you will be able to demonstrate a track record of achievement developed in a highly commercial and competitive environment, where your first rate technical and analytical skills have been utilised to their full extent. Your interpersonal and communication skills will be excellent.

**Interested applicants should write, in the strictest confidence to our retained consultants, Christopher Mills or Simon Easter, at Walker Hamill, Thames Valley Office, forwarding a brief résumè quoting reference CM3564. All direct applications will be forwarded to Walker Hamill.**

WALKER HAMILL

The Atrium Court
Apex Plaza
Reading
RG1 1AX

---

# BUSINESS ANALYST

Central London — Package c.£40,000

**Our client is a world leading utility and services group. A major force, each of its businesses has a reputation for excellence and quality. Increased UK market share has been achieved through organic growth and strategic acquisition and this has resulted in an enviable portfolio of leading household names. The company is now poised to develop its position further and, as such, requires a Business Analyst to work directly for the Group Finance Director. You will play a key role in driving the business forward, providing operational and strategic support to all parts of the group.**

**THE COMPANY**

- Major multinational - market leader in a number of business sectors; turnover c. £2bn
- Pioneer in cutting edge technology
- Highly profitable; ambitious strategic plans
- Competitive and customer focused
- Dynamic and fast moving management culture

**THE PERSON**

- Age 25-30; graduate ACA/ACMA/MBA with first class academics
- Excellent analytical skills combined with significant exposure to special work
- Experienced in transactional corporate finance
- Proven track record of achievement to date
- Highly focused and dedicated
- Team player; project orientated approach
- Strong interpersonal skills; management presence
- International orientation

**THE ROLE**

- Commercial and financial analysis of all issues relating to the strategic development of the business
- Projects will include mergers and acquisitions, analysis of international bids and business performance evaluations
- Advising and supporting group companies
- Competitor analysis; review of market trends
- Financial and economic modelling and projections
- Exposure to senior management

**Please contact our advising consultants James Heath or Sharmila Sharon Parekh at Executive Match on 0171 872 5544, or write enclosing your CV quoting ref. F1767 to them at:**

**EXECUTIVE MATCH**
**1 Northumberland Avenue,**
**Trafalgar Square,**
**London WC2N 5BW**
**(Fax: 0171 753 2745)**

EXECUTIVE MATCH

---

# European Financial Director

## M40/M25 Area

## Attractive negotiable package: c£70,000 + Bonus + Stock Options + Car Allowance

A listed North American market leading intranet software company with a superb record of 100%+ growth per annum, is looking to develop its European Operations (which will include the Middle East, Eastern Europe, South Africa and Australia). They already have operations in Holland, Switzerland and the UK and are looking to expand via acquisition, particularly within the UK and Germany.

Reporting to the European Managing Director and Corporate HQ you will be responsible for all financial; legal and administrative functions besides implementing the necessary systems, structures and procedures to ensure effective control of the European operating companies. You will produce the management and statutory information, assist in targeting potential acquisitions and carry out the due diligence and subsequent integration process.

An ambitious, "hands on", business orientated qualified accountant, you are a team player, probably aged around 35-40 with a broad range of skills and abilities. These include a European or International perspective, experience of US GAAP reporting, acquisitions and a software or computer services background. A second European language would be useful, particularly German or French, but the ability to make a significant contribution to the senior management team and produce accurate, reliable information in an aggressive, fast-moving and rapidly changing environment is absolutely essential.

If you are interested in this exciting and challenging opportunity then please send an up-to-date CV together with full salary details and a daytime telephone number to Andrew Cook at:

**Resource Selection, 36-40 Liverpool Road, Luton, Bedfordshire, LU1 1RS.**
**Tel: 01582-422472. Fax: 01582-415868. Email: rs@trsg.demon.co.uk**

---

# UK GROUP HEAD OF FINANCE

MAJOR US MULTINATIONAL

c£60,000 + BONUS + BENEFITS — MIDLANDS

Now part of a $7 billion US corporation, this UK group is currently being rationalised and refocused. With sales of £250m including exports it is one of the world's leading manufacturers of architectural hardware with a wide range of products and services. Within the UK there are six businesses with eight manufacturing sites and a number of distribution centres, currently employing 2,400 people.

The newly appointed UK Managing Director is looking for a Group Head of Finance to join him at the head office and work closely on business strategy and management. Whilst there will be responsibility for some consolidation and reporting to US corporation, the major thrust will be to work with local MDs and FDs to improve their business performance by strengthening systems and procedures. Principal responsibilities include protection of company assets, budget and strategic plan production, capital expenditure assessmant and control.

Candidates will have a strong business acumen and have operated as a full member of a senior business team. Professionally qualified as an accountant, the successful candidate will have had significant experience within a manufacturing environment. This must have included some time as a site accountant in a manufacturing plant. International exposure, especially to US accounting standards, will be expected and good IT skills are important. Personal qualities will include a strong intellect, a dynamic and proactive approach, with a tough and courageous character. The requirement is for a 'can do' team worker who is effective in achieving results through other people.

Please reply in confidence, enclosing your CV and current salary details, quoting ref: FT12009, to Peter Shotton at Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester M3 2LF. Tel: 0161-839 2000, Fax: 0161-839 0064.
Internet: http://www.topjobs.net/howgate

**Howgate Sable**
& PARTNERS
EXECUTIVE SEARCH AND SELECTION

London • Manchester • Leeds • Newcastle

---

# CHIEF FINANCIAL OFFICER

Challenging New Venture

Cambridgeshire

Up to £80,000, bonus, options, benefits

Our client, a recently launched financial services company within a major UK group, is poised to become the pensions company of reference, offering simple but innovative products and services through the efficient use of leading edge technology. Instrumental in establishing and building this busioess and reporting to the Managing Director you will:

- Be responsible for strong fioancial controls and all aspects of external reporting (including DTI)
- Provide meaningful and relevant management informatioo and advise on key issues
- Support the Managing Director in the profitable growth of the business
- Drive the short and medium term planning, proactively and positively contributing to all commercial developments and discussions

A qualified Accountant, with a strong technical background io financial services and insurance and an attention to detail, you must demonstrate a successful track record of adding value to commercial decision making. This will require real business maturity, high levels of personal and professional credibility and excellent presentatioo and communication skills. A strong affinity to IT is also essential. Your ability to see the wider, strategic picture and your skills in influencing on both financial and business matters will be critical to your contribution. Flexibility, energy and enthusiasm will be oecessary for you to rise to the challeoge of this exciting start-up scenario.

Ioterested candidates should write with full CV, quoting current rewards package to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, Londoo EC4A 1DY. Tel: 0171 430 9000, Fax: 0171 405 5995, quoting ref: HKW/13310/FT.

***Hoggett Bowers***
EXECUTIVE SEARCH & SELECTION

INVESTOR IN PEOPLE

THE PSD GROUP

---

# EUROPEAN FINANCE DIRECTOR

**Surrey** — **Package to c £80,000**

Leasing Solutions International Ltd, a subsidiary company of LSI, Inc. specialises in leasing information processing and communications equipment to high-profile, multi-oational clients in the UK and Europe. The current client base is spread across Europe with subsidiaries operating in UK, France, Germany, Netherlands, Belgium and Italy.

To support their continued success and the next phase of growth, Leasing Solutions International Ltd is seeking to recruit a Finance Director to join the European Management Team.

Applicants should be graduate, qualified accountants, able to demonstrate a successful track record in a service oriented environment. Specific responsibilities will include the design and implementation of financial systems, leading the business planning processes throughout the Region, management of outsourced services, cash treasury management and company secretariat duties.

Previous experience of US GAAP is essential.

If you would like to join this successful, growing business as a key member of the management team, please write with full details of your career to date to Charlotte Cole, Deloitte & Touche, Hill House, 1 Little New Street, London EC4A 3TR, quoting reference 3550.

Deloitte & Touche

MANAGEMENT SOLUTIONS

---

KPMG

# Finance Director

- **M3 corridor**
- **to £100,000 + benefits + share options**

Our client is a fast growing mining company with interests in a number of European countries. Following a decision to obtain a UK listing and to relocate its headquarters to the UK, a requiremeot has arisen to appoint a Finance Director to the board of the company.

This is a senior level appointment for which the main requirements will include, managing the accounting and treasury function, and being the key resource for corporate finance and tax advice and adding value in financing, structuring, acquisitions and new mining projects.

The successful candidate will be of degree calibre, a qualified accountant with a thorough knowledge and understandiog of the City and its requirements, and experience of operating on an international basis. He/she will probably already be a Deputy or Chief Financial Officer for a listed group. A background in mining is preferable though not essential but knowledge and understanding of the management of funding of large capital projects, of the use of derivatives and hedging will be requirements, as will high level presentation skills.

This is an unusual opportunity to cootribute to the development of a strongly growing organisation where the prospects for sharing in the success of the company are excellent.

**If you meet the stringent requirements for this position, please send your CV, together with details of current remuneration, quoting reference BDDD to Bernard Grant, KPMG Selection & Search, 1–2 Dorset Rise, London EC4Y 8AE. Fax: 0171 311 5872.**

**KPMG Selection & Search**

# Financial Controller

**Central London** — **c £45,000 Package + Bonus**

Our client, a UK quoted plc, is a property company with an extensive portfolio of mainly industrial and retail interests throughout the UK. With gross assets of c £140 million and net rental income of over £11 million, our client is well positioned to take full advantage of the improving UK property market and continue with its extensive development and refurbishment programme.

An opportunity has arisen for a Financial Controller to join a high calibre management team. Reporting to the Corporate Development Director, you will have responsibility for running the day-to-day activities of the finance function including:

- Managing a team of four staff.
- Interim and full year statutory reporting.
- Monthly management reporting and forecasting.
- Tax returns and planning.
- Systems upgrades.
- Support to directors on property financing deals.

The successful candidate must be a qualified ACA with well established post qualification experience, gained outside of the profession. Previous property experience, while advantageous, is not essential. More important is clear evidence of a 'hands-oo' individual with good commercial awareness and the ability to take initiative where appropriate.

In return, the successful candidate can expect a high profile, stimulating and autonomous position within a growing quoted plc environment.

Interested applicants should forward a comprehensive curriculum vitae, quoting reference 365308 to Liam Dowds at Michael Page Finance, Page House 39-41 Parker Street, London WC2B 5LN.

MP
Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

# Financial Controller

**City** — **£ Competitive Package**

Our client is one of the foremost broker/dealers on the London Metal Exchange, offering exchange and OTC instruments. They supply 24 hour coverage to their global client base via the London office and associate offices in the US and Far Eastern time zones. They are backed by one of the world's largest and most experienced trading organisations.

Our client is looking to recruit a Financial Controller.

This role is central to future strategic growth, as well as the continued successful financial management of the organisation. Consequently the successful applicant should be a qualified accountant who is:

- Confident and personable with excellent communication skills.
- Dynamic.
- Highly motivated and self starting.

Key responsibilities of the role include:

- Streamlining operational flow and improving the quality, depth and timeliness of all financial information produced.
- Leading role in liaising with and overseeing all financial and taxation issues arising from overseas associates.
- All accounting for the business, including, management, taxation and regulatory returns.
- Relationship management with auditors, Inland Revenue, banks and all advisers.
- Treasury and cash management policy and operational management.

This is a senior role and as such the individual will be expected to make a major contribution across all levels and all disciplines in the organisation.

If you consider that you are appropriately qualified for this role, please send a full curriculum vitae to Joanna Adolph, Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN, Telephone 0171 269 2341, fax 0171 242 5383.

MP
Michael Page City
International Recruitment Consultants
London Paris Frankfurt Madrid Hong Kong Singapore Sydney

# GROUP FINANCIAL CONTROLLER

Growth Orientated International Role

**London Based** — PLD TELEKOM — **to £70,000 + Bonus + Share Options**

PLD Telekom is a fast growing and highly innovative telecommunications company offering a wide range of voice and data products and value added services in the former Soviet Union. This pace of growth and change, together with the information demands of being a US public company, have resulted in their need to recruit a high calibre Group Financial Controller.

**THE POSITION**

- Reporting to the New York based CFO, responsible for all aspects of statutory and internal management reporting for this dynamic and geographically diverse Group.
- Provide first class input to the business managers and finance staff of the country operations on business planning, performance measurement, management reporting and investment appraisal.
- Ensure financial control and management information systems can keep pace with significant growth rates; assist in capital markets fundraising and M&A activity.
- Undertake c 35% travel to Russia, Kazakstan and occasionally the USA.

**QUALIFICATIONS**

- A high calibre qualified ACA or CPA, probably aged early to mid 30's, with a track record of achievement in their career to date.
- Experience of US public company reporting requirements and, ideally, some previous practical experience of the FSU, Eastern Europe or other developing markets.
- A strong commercial orientation with the drive, energy and commitment to add value and achieve results in environments which require flexibility and lateral thinking.
- A flexible, pragmatic problem solver with excellent communication skills, able to influence and persuade at all levels in the organisation.

If you are interested in this outstanding opportunity please write as soon as possible, enclosing a current CV and salary details to the advising consultants Keith Evans or Jon Boyle, at Questor International Limited, 3 Burlington Gardens, London W1X 1LE. Please quote reference 2294. Fax 0171 287 5457. E-Mail: keith@questorint.com

QI
QUESTOR INTERNATIONAL

# DIRECTOR OF FINANCE

**North of England** — **£55-65,000 + Car + Bens**

Our client has enjoyed sustained and considerable growth and is firmly established as one of the UK's premier law firms. The firm is progressive and expansive and has an absolute commitment to providing the highest quality of services to its clients. They have exciting plans for further development and seek to strengthen their management team through the appointment of a high calibre Director of Finance.

**THE POSITION**

- Report to the Managing Partner, assuming full responsibility for financial management and control, you will play a key role as an integral member of the Executive team.
- Review the firm's support functions (120 staff), establish and implement a strategy for the working practices, management processes and administration to facilitate the profitable development of the firm.
- Drive the development and integration of computer systems throughout the firm to ensure maximum return from the investment in technology.

**QUALIFICATIONS**

- Qualified Accountant, aged 35-45, with experience of broad commercial and financial management probably gained within a professional services/partnership environment.
- Exceptional leadership, motivational and interpersonal skills with proven experience of managing and developing successful teams, along with the presence and maturity to inspire confidence.
- Strong strategic and commercial awareness with the intellect and vision to create and innovate balance with a pragmatic, results focused style.

Interested candidates should write in the strictest confidence, enclosing full career and current salary details to Stephen Banks, Questor International Limited, 3 Burlington Gardens, London W1X 1LE quoting reference 2296. E-mail Stephen@questorint.com

QI
QUESTOR INTERNATIONAL

# TAX-BASED FINANCIAL ENGINEER
## ASIAN FOCUS

We are representing a world-wide financial services organisation which advises multinational corporations, financial institutions and government entities. The global derivatives financial structuring group engineers unique iovestment products and creates derivatives-based solutions to tax and accounts issues for major corporate clients. Sustained expansion across the global derivatives business has created a new role within the team to focus on the Asian market. Key responsibilities will include:–

- *structuring and marketing of tax-advantaged products to clients*
- *utilisation of international/domestic tax rules for customer-focused product development*
- *provision of tax input to documentation issues surrounding complex derivatives trades*

You are likely to be a qualified accountant or tax lawyer with a strong knowledge of international tax systems and treaty oetworks, particularly within the Asian region; and a genuine understanding of financial instruments and their tax treatment. Transactional/deal experience is essential, preferably gained in a bank, investment house or leading advisory firm. A team-player, with excellent organisational and execution skills, you will be confident in your ability to interact with a broad base of sophisticated corporate clients.

**London-based**
(significant travel)

**c.£100,000 + Bonus + Benefits**

Please forward a comprehensive CV quoting ref. 1829MP to Matthew Phelps at: Brewer Morris, 179 Queen Victoria Street, London, EC4V 4DD. Tel: (00 44) 171 415 2800. Fax: (00 44) 171 463 0740.

BREWER • MORRIS
TAXATION RECRUITMENT SPECIALISTS

# Financial Systems Accountant

**Central London** — **£ Excellent + Car + Bonus**

Our client, a global chemicals organisation and market leader in its field, with 53 operations in over 18 countries and sales of £1 billion, is firmly committed to expand its operations globally by way of organic and acquisition-led strategies.

The dynamic changes across the group have created a rare and exciting opportunity for a high calibre systems professional who has the confidence to challenge existing practices and to drive and facilitate further development group wide.

This role will be an important part of the group finance team, collectively responsibile for management and financial information. The individual will be involved in all aspects of the teams responsibilities and provide leadership in areas such as:

- Development, use and interpretation of advanced modules, schedules and tools for forecasting, budgeting and statutory reporting.
- Managing the integrity and exchange of best practice between central head office and operating companies worldwide.
- Key intermediary to the promotion and co-ordination of a group-wide reporting system to aid business decision-making and achieve financial efficiencies.
- Providing proactive management support and close liaison with IT and finance staff, including ad-hoc projects and training.

Candidates will be qualified accountants, aged between 27-35, with strong IT/pc skills, or have knowledge/experience of consolidation accounting systems, preferably Commander FDC. Extensive Excel modelling experience is essential. Credibility, maturity and strong interpersonal skills are also prerequisites, as is a persuasive and proactive style.

Interested applicants should apply in writing to Jazz Dhanda at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN, quoting reference 339427.

MP
Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

# Finance Manager

Thailand c£45,000 + Benefits

Our client is a global organisation with the most impressive brand portfolio in its market sector. With a reputation for quality and excellence throughout the world our client now seeks an impressive individual to be the Finance Manager in a key manufacturing and marketing subsidiary. As a member of the management team responsibilities will encompass the following:

- Provision of independent financial analysis to the Operations Director and commercial management of the region
- Overall management of the finance department
- Devising effective personal development for key members of the finance team
- Maintenance of standard financial policies combined with management of financial reporting to the Group
- Ensuring compliance with local statutory reporting

You will possess strong analytical, planning and commercial problem solving skills combined with enthusiasm and a proven finance track record. Ideally you will have a minimum of 3 years PQE and international exposure would be advantageous.

To discuss this opportunity telephone Jason Gasparro on 0171 405 4161 quoting reference no: 55057 or alternatively send your details to the address below:

5 Bream's Buildings
Chancery Lane
London EC4A 1DY
Tel: 0171 405 4161
Fax: 0171 430 1140
E-Mail fms@psd.co.uk
Internet www.psd.co.uk

PSD
FMS Finance and Accountancy Recruitment

INVESTOR IN PEOPLE

# Head of Advances

**Bank of Cyprus (London) Ltd** — **Central London**

*The Bank of Cyprus (London) Limited is the UK banking arm of the premier banking and financial institution in Cyprus. Headquartered in London with eight branches in the UK, it is consistently ranked amongst the most profitable foreign-owned banks in the UK and has an impressive record of compound annual growth.*

*Reporting to the Assistant General Manager, you will lead a small team and manage the processes concerned with analysing and approving applications for advances, in accordance with agreed Bank procedures and policies. In this role you will also monitor the complete loan portfolio, so as to minimize the Bank's credit risk, assist in the decision making of the Loans Committee and provide specialist advice to the branches.*

*This is an outstanding opportunity to join the Bank in a high profile, fast track role, contributing immediately at a senior management level and providing the basis for a long term career in corporate banking. To be considered, therefore, you must be a graduate Chartered Accountant, one to three years qualified, and with a background in one of the leading professional firms. Excellent knowledge and experience of the banking sector is essential and fluency in Greek would be an advantage.*

*A competitive salary and a comprehensive package of banking benefits is offered.*

***If you are interested in this opportunity, please send your curriculum vitae, with current salary details and an explanation of how you meet the requirements, to Neil Cameron, Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference NC0149.***

ERNST & YOUNG

*The United Kingdom firm of Ernst & Young is a member of Ernst & Young International*

# FINANCE DIRECTOR

Exceptionally commercial focus – Media sector

**London** **c £60,000 + Car + Bens**

Enjoying the twin benefits of major Plc parentage but complete management autonomy, this company occupies a dominant role in its sector. The business is aligned to the advertising sector and is poised for significant growth following recent senior management changes. The opportunity now exists for a Finance Director to join the subsidiary board and play a full role in the company's future development.

### THE POSITION

- Work closely with the Managing Director on all strategic and operational issues.
- Manage the finance team, taking responsibility for Plc and local reporting.
- Enhance the profile of finance as more than a service provider.
- Quickly assimilate the essence of the business and bring astute commercial skills to a fast moving environment.
- Play a key part in winning new business and the development of existing clients.

### QUALIFICATIONS

- Graduate calibre qualified Accountant. Most likely aged 30-40.
- Exceptional interpersonal and communication skills.
- Alive to business issues. Energetic, assertive and robust.
- Technically skilled in a demanding Plc context but adept at delegation.
- Team leader with natural authority mixed with a sense of humour.

Candidates interested in this outstanding opportunity should contact Richard Wilson, enclosing full career details and a covering letter illustrating examples of personal contributions to significant business issues, at Questor International, 3 Burlington Gardens, London W1X 1LE. Please quote reference 2282. E-Mail: Richard@questorint.com

QI

QUESTOR INTERNATIONAL

# Senior Tax Specialist

**London** **2-5 years PQE**

The Financial Services industry is in the throes of a revolution. The traditional boundaries between different market sectors are crumbling, with new products and services appearing almost daily, and competition is now intense.

Our client is a leading player in this climate of change with significant operations in the UK, US and Asia.

Due to continued expansion of the Group, the fast moving and proactive taxation department now requires an additional Senior Tax Specialist. Reporting to the Tax Director, key responsibilities will include:

- Corporate consultancy and pro-active planning advice to the Group's UK insurance and investment operations.
- Compliance work for a portfolio of UK Life Assurance and investment companies.
- Working on ad-hoc projects and dealing with a variety of client issues as they arise.
- VAT consultancy advice, overseeing compliance and dealing with customers.

The successful candidate will be ACA or ATII qualified and will have excellent communication and relationship building skills, as well as a high level of technical ability, underpinned with at least three years post qualification experience.

This is a superb opportunity to work for an organisation with a widely held reputation for excellence in the marketplace and within a high calibre and well motivated taxation team.

If you are interested in this position, please contact Mark Pryor on 0171 269 2248, or send your CV to him at Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LN. Alternatively fax on 0171 831 6662.

MP

**Michael Page Taxation**

Specialists in Taxation Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

Imperial Cancer Research Fund

# Head of Financial Control

**Central London** **£40,000**

The Imperial Cancer Research Fund is one of the United Kingdom's largest charities. The charity works for the prevention, treatment and cure of all types of cancer. Working together to achieve this are over a thousand dedicated research staff, supported by the generous efforts and contributions of thousands of people across the country. The charity has an annual income in excess of £80 million.

Based at the Charity's Head Office in Holborn, the Head of Financial Control is responsible for the management of a wide variety of financial activities. Reporting to the Director of Finance and managing a team of five, responsibilities of this key role include:

- Securing cost effective compliance with all external reporting requirements.
- Developing and implementing controls to identify and reduce financial risk.
- Ensuring the effective utilisation of the Charity's financial assets and the control of its liabilities.
- Implementing the department's new strategy.
- Providing leadership to the financial control department and advice on best practice across the organisation.

The successful candidate will be a qualified accountant with excellent interpersonal skills and a flair for the management and development of people in a rapidly changing environment. Drive, ability and a desire to succeed are more important than previous experience of charity finance.

Interested candidates should write, enclosing a full curriculum vitae and details of current package, to Stephen Rutherford at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Fax: 0171 831 6293.

MP

**Michael Page Finance**

Specialists in Financial Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

# Finance Director - Europe

**Strategically based role with leading US Financial Services group investing strongly in a European expansion programme.**

### The Company

- Parent Corporation is a US market leader across a range of principally consumer based Financial Services.
- Strong investment is planned to expand the European presence through a series of market/product focused operating subsidiaries.
- The planned European growth is part of a broad global expansion programme.

### The Role

- Newly created at European Group Board level reporting to European Chief Executive and to parent organisation.
- Opportunity to influence the future shape of the European business structure building on established strengths and developing into new activities.
- Pivotal interface role with US parent in support of European investment programmes in addition to regular Financial Planning and Reporting.

### Profile

- Requirement for a strategically based Finance Executive combining both Finance and Business Management skills.
- Familiarity with regulated Financial Services environment.
- Cultural affinity with US management style gained through experience of working in US multi national organisation.
- Skills and experiences relevant to managing through periods of intense change and where there is continuous review of planning options.

Please send full CV quoting Ref: 343J to:
Michael Johnson,
Johnson King
International,
212 Piccadilly,
London, W1V 9LD
Tel: 0171 917 1832
Fax: 0171 917 1833
Email:
johnsonking@jki.co.uk

jki

# Head of Business Review & Audit

**Commercially orientated Business Auditor with Financial Services background and an interest in adding or strengthening international career experience.**

*West Midlands (plus UK & European Travel)* *To £50,000 + Car + Bonus*

### The Organisation

- European subsidiary of major US Financial Services organisation.
- Planned investment and development into new markets together with extended geographical reach into new European markets.

### The Role

- To ensure local business unit decision making is fully aligned with overall Corporate strategic objectives.
- To provide a business review service that simultaneously meets the requirements of the parent company and local management.
- To develop constructive relationships with external regulators including the proposal of new initiatives in the kind of previously uncharted areas now becoming possible through technology based global trading.

### Candidate Profile

- ACA with formative professional background encompassing 'top six' audit consultancy.
- Experience within the more dynamic areas of the Financial Services sector.
- Ability to build trust and confidence at senior management level through a combination of technical capability and commercial awareness founded through earlier operational experience.
- Cultural affinity with US business practice gained ideally in a pan European role.

Please send full CV quoting Ref: 345J to:
Michael Johnson,
Johnson King
International,
The Coach House,
Longperish, Andover,
Hants SP11 6PT
Tel: 01264 722800
Fax: 01264 720717
Email:
johnsonking@jki.co.uk

jki

# Managing Consultants

*European Monetary Union - the challenge of change*

**London, Paris or Frankfurt based** **£70,000 - £100,000 + Benefits**

One of the world's leading management consultancy firms, our client provides high quality consultancy services to a blue-chip international client base. Recognising the profound effects of European Monetary Union (EMU), the firm established a specialist consultancy team earlier this year to assist major clients in their preparations.

Our client is now looking to expand this team rapidly to address the needs of current and prospective clients. The immediate opportunities are to assess the strategic and operational impacts of EMU, and manage the implementation of change plans. Typically, this work will cover several European countries.

Core to the expansion will be the recruitment of a number of highly skilled senior managers who will help develop and build the EMU consultancy practice. Key responsibilities will be:

- to develop strong relationships with existing and new clients and identify and secure opportunities for new business;
- to work with multi-national organisations in assessing the impact of EMU, evaluating the operational options and risks and formulating change and contingency plans;
- to successfully manage and deliver high quality consultancy projects.

Probably aged early 30s to early 40s, candidates could either be experienced EMU consultancy managers or those currently in EMU advisory roles within the financial services, oil and gas or manufacturing sectors.

The successful candidates must be energetic business developers and project managers, capable of managing multi-disciplinary and multi-cultural teams. Experience could include process improvement, change management, information technology, business strategy, marketing or financial management, gained in consultancy or with a client company. Candidates will need to be outgoing and have high levels of interpersonal skills and first-class communication abilities together with the presence necessary to develop excellent professional relationships. German or French nationals should have a good command of the English language.

Prospects for future career development towards partnership with this fast growing and international firm are excellent.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 96769N on both letter and envelope, and including details of current remuneration.

GKRS

SEARCH & SELECTION

PARK HOUSE, 6 KILLINGBECK DRIVE, LEEDS LS14 6UF. TEL: 0113 248 4848

A GKR Group Company

# GROUP FINANCIAL CONTROLLER

TO £100,000 + SUBSTANTIAL BENEFITS

### THE COMPANY

Leading international transport and leisure group with administrative headquarters in London and represented in 80 countries worldwide. Publicly quoted in New York, the Group employs 7,000 people and has assets in excess of $2 billion.

### THE POSITION

- Key member of group management team. Lead central finance function to meet evolving business needs and group requirements.
- Work closely with CFO. Overall responsibility for corporate accounting, business reporting, treasury and tax.
- Involvement in every aspect of business management across the Group. Manage and motivate substantial team.

### QUALIFICATIONS

- Graduate qualified Chartered Accountant with track record within headquarters of a multi-site, multi-country operation.
- Full range of financial and business management competencies. Knowledge of US accounting procedures and both UK and foreign taxation is preferred.
- Credible at board level. Excellent analytical and communication skills. Commercially astute.

SAINTYHIRD & PARTNERS

SHP ASSOCIATES

Please send a full cv and current salary details, quoting reference 970804, to SHP Associates, Stratton House, Stratton Street, London W1X 5FE. Tel: 0171 751 3000 Fax: 0171 751 1010.

GROUPE FLO
PARIS

*Our successful company has 1.2 billion francs turnover, 3000 employees and more than 70 locations in France and abroad. Our future developement will be based on established brands including : Les adresses J.P. Bucher, Hippopotamus, Flo Prestige, Cafe Flo London. An opportunity has arisen with our headquarters management team :*

# Board-level Secretary

You will work closely with the Managing Director, assisting him with stategic projects, administration and organisation of travels and meetings, with partners and colleagues, inside and outside the group. In addition, you will undertake the full range of tasks associated with a secretarial role at this level.

Your excellent communication skills and sound business experience will be useful in dealing with a very wide range of contacts and associates. Diplomacy and flexibility will be important, developed through extensive experience and involvement in similar role.

An understanding of customer service businesses such as restaurants, hotels and tourism would be useful. An excellent knowledge of English and French and of PC packages, will be essential. Shorthand would be an advantadge.

To apply for this position based in Neuilly/Seine, please send a detailed CV, quoting réf. SDG, to Groupe FLO, DRH - 157 avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France.

Guillaume Tell

**Appointments Advertising**

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call

Toby Finden-Crofts

0171 873 4027

Financial Times

# Investment Banking Executives

*Superb opportunities for talented young professionals to join an outstanding corporate advisory team*

**London** **£ Excellent**

Are you motivated by challenge? Do you aspire to be part of a global industry? Do you want to be an integral member of a successful team? Are you committed, driven and ambitious? If the above strikes a chord, then this is the role for you.

Our client is one of the world's leading integrated investment banks. Acting internationally as intermediary and adviser to major corporations and governments it has the global reach and distribution power to meet the needs of issuers and investors worldwide, and has a strong reputation for innovation and creativity.

Due to continued growth, applications are invited for a number of positions. Preferred candidates will demonstrate the following:

- Outstanding academic results and a financial degree or qualification i.e. ACA or MBA.
- Corporate advisory experience gained within a major investment bank, management consultancy, legal or accountancy practice or a PLC.
- Strong numerical, analytical and presentational skills.
- Attention to detail and the ability to work in a challenging environment.

If you wish to further your career within this experienced and growing team please contact Jayne Philpott or Annabel Haywood on 0171 269 2298, or send a full curriculum vitae to Michael Page City, Page House, 39-41 Parker Street, Londoo WC2B 5LN. Fax 0171 405 9649. Please qnote reference 368107.

**Michael Page City**
International Recruitment Consultants
London Paris Frankfurt Madrid Hong Kong Singapore Sydney

---

## INTERIM CONSULTANTS

**Nationwide/Overseas quality packages**

Our clients, who range from large PLCs to growing businesses aiming for a stock market flotation are constantly demanding the use of high calibre interim finance professionals for a wide range of needs. It may be to evaluate an important acquisition or the Managing Director needs a new FD immediately whilst the selection process is under way, or as in many cases the finance function needs high level attention and overhaul perhaps from an individual who normally would be over qualified for the position. We have many needs with a particular emphasis on these specific sectors:

- Telecommunications
- High tech. Service
- Financial Services
- FMCG

These consultancy projects range from three months to two years. If you are available to commit to these projects please send your details, quoting reference IC101, to:

Heathfield Hargreaves Limited, Grosvenor Hall, Bolnore Road, Haywards Heath, West Sussex, RH16 4BN

Alternatively, telephone on 01444 416636 or fax on 01444 416002.

HEATHFIELD HARGREAVES LIMITED

---

# FINANCIAL CONTROLLER

A LEADING GLOBAL COMMODITY TRADING AND FINANCIAL MARKETS COMPANY

BASED MOSCOW

**The Company:** Our client is one of the world's largest privately owned companies successfully dealing in commodity origination, commodity trading and financial markets. Established more than a century ago, the company operates 1,000 business sites world-wide across 67 countries, employs more than 75,000 people, and had a turnover in 95/96 of well over $50 billion.

Our client is committed to further expansion in the Russian market as it views this as one of the fastest growing business arenas in the world. As part of this expansion, they wish to recruit a finance professional for their busy commercial trading office.

**The Role:** The Trading Controller will work closely with commodity traders and will have responsibility for the following:

- Managing a team of accountants
- Running Russian and GAAP financial systems
- Accounting, budgeting and forecasting
- Financial planning and analysis of monthly/quarterly cash flows
- Regulatory and tax reporting
- Advisory liaison with product account managers and traders.

**The Person:** This is an opportunity for an ambitious and enthusiastic individual looking to develop a career with excellent long-term prospects. You will have:

- Strong interpersonal skills as a pre-requisite for operating in a multi-cultural environment
- Russian as a native language with fluent English
- An international perspective
- A strong academic background in business or finance
- Accounting, audit or finance as a professional background
- Four to five years in financial management in a Western company
- Experience in accounting for multi-product accounts would be an advantage.

This position will enjoy a competitive remuneration package with associated benefits.

Candidates who are interested in this position should forward their resumé to our London or Moscow office quoting clearly reference number FT3142 on ALL correspondence. All applications will be treated in the strictest confidence.

*Antal International: Paris Business Centre, 23 1st Tverskaya-Yamskaya Ul., Moscow 125047, Russian Federation. Tel: +7 095 935 8606 Fax: +7 095 935 8607. E-mail: antalrus@online.ru*

*Antal International: Shropshire House, 1 Capper Street, London WC1E 6JA. Tel: +44 (0) 171 637 2001. Fax: +44 (0) 171 637 0949 or visit our web site on www.antal-int.com*

**ANTAL INTERNATIONAL**
*'A Global Recruitment Solution Applied Locally'*

UK • CZECH REP • FRANCE • GERMANY • HUNGARY • ITALY • POLAND • ROMANIA • RUSSIA • UKRAINE • USA

---

# Finance Director

**London** **£75,000 Basic + Bonus + Shares**

Our client is one of the UK's fastest growing telecommunication services providers. Since the Company's formation, it has achieved exceptional results, which have led to a very successful flotation early this year. Having already secured a large portfolio of blue chip customers and partners, they are now looking to build on their success to date and further develop their expansion programme into Europe.

They now require an experienced, talented individual to join the Board as Finance Director. The right candidate will have a unique opportunity to build a stake in the business through share options.

**With at least 10 years post qualification experience, you should ideally**

- Have knowledge of telecommunications, IT or related industries.
- Have been involved in acquisitions, mergers and/or flotation.
- Be an influential relationships builder with City institutions and banks
- Be analytical, with the ability to provide innovative solutions and IT literate with language skills.

**Reporting to the Managing Director, you will be responsible for:**

- Participating in the overall management of the company, influencing beyond the traditional remit of the finance role.
- Managing all aspects of an Accounts Department including M&A, Treasury and MIS.
- Building a solid finance infrastructure to support the growth of the business.

For an informal discussion in the strictest confidence, please telephone or write detailing your current salary and quoting *reference 692* to: Anthony Benjamin International, Sun House, 31-35 Sun Street, London EC2M 2PY. Telephone 0171 377 7510. Fax 0171 377 7511. Video Conferencing 0171 247 2458.

Anthony Benjamin International

---

*£ Six figure package* *International Business Service Provider* *London*

# Finance Director

***An influential and demanding Board position within an established and recognised world leader in the provision of business services which enables UK companies to compete more successfully through achieving step changes to their performance and productivity. With a profitable turnover of c. £100 million the business is set for growth in the UK and overseas and requires a high quality finance professional to motivate and focus the business teams and utilise funding arrangements to realise its long-term ambitions.***

**THE ROLE**

- Report to the Managing Director as a key member of the Executive responsible for financial management, information and control with accountability for IT supported by well-established finance and systems teams.
- Update the financial management systems and help business managers focus on broad key performance indicators to keep pace with planned growth. Develop and build the established core financial group.
- Identify, evaluate and negotiate acquisitions and international joint ventures, whilst ensuring that adequate and appropriate funding is put in place and the corporate structure evolves to support growth. Full involvement in formulating policy and monitoring performance.

**THE QUALIFICATIONS**

- Graduate accountant with a first-class professional training followed by a progressive track record, ideally in a blue-chip international company and the business-to-business service sector with exposure to joint venture and acquisition activity.
- Worked in treasury, corporate development and contract negotiations during a period of change. Prior management of an IT function and the installation of new financial systems a distinct advantage.
- Highly commercial with leadership and superior communication skills. Stature, presence and credibility at Board level and able to add real value to executive deliberations to help guide strategy.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 1700

**Selector Europe**
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. FI1840977, Gladstone House, Redvers Close, Lawnswood Park, Leeds LS16 6QY

---

# Coopers & Lybrand — Directors Business Assurance

**Based Krakow & Poznan Poland**

**Attractive Packages with Expat Benefits**

The Coopers & Lybrand organisation is one of the world's leading providers of professional services including accounting and auditing, tax, legal services and consulting. The organisation comprises national and international practice entities which are members of Coopers & Lybrand International, a limited liability association incorporated in Switzerland and which employs 72,000 people servicing clients on a globally integrated basis in more than 120 countries. Coopers & Lybrand Poland was established in 1990 and has since grown to over 420 partners and staff with offices in Warsaw, Gdansk, Krakow and Poznan. The firm provides services to both foreign investors and Polish businesses and has been involved in a number of projects commissioned by the multilateral development agencies such as the World Bank and the EBRD.

The firm is planning to increase significantly the size of the offices in Poznan and Krakow and is looking to recruit two Directors of Business Assurance to support this growth and expansion, whilst maintaining a high quality service to clients. The roles focus heavily on people management and client care therefore potential candidates will have a proven track record of success in team, clients, process and project management.

Applicants should possess an internationally recognised accountancy qualification gained in the profession or in industry. As this is a hands-on role and the successful candidates will be members of the senior management team in Poland, fluency in Polish will be a key criteria in selection although applications from non-Polish speaking individuals with extensive work experience gained in Poland may also be considered.

Coopers & Lybrand is committed to the growth and development of all its employees and therefore offers excellent career progression for the successful candidates.

To be considered for these high profile, dynamic roles, please send your curriculum vitae in strictest confidence quoting reference 365342 and your preferred location if applicable, to Catherine Zasadzka at Michael Page Eastern Europe, Savannah House, 11 Charles II Street, London SW1Y 4QZ, UK or fax to + 44 (0) 171 976 2612, telephone + 44 (0) 171 269 2594.

Any information sent directly to Coopers & Lybrand will be forwarded to our retained consultants Michael Page Eastern Europe.

**Michael Page Eastern Europe**
*International Recruitment Consultants*

---

## NEWLY QUALIFIED ACAs — INTERNATIONAL OPPORTUNITY

As a Newly Qualified Accountant you're probably inundated with opportunities. If you're thinking about a finance career in the City then take a moment to consider these reasons to talk with Citibank's Corporate Audit team:

- Citibank has been the number one FX house for nineteen consecutive years and is one of the leading players in the derivatives market worldwide. The global breadth of the bank's activity is unparalleled.
- You will join a dedicated team of Treasury auditors enjoying direct cootact with management across the full range of the bank's trading operations.
- To succeed you will need a solid educational background with demonstrable numeracy. It is vital that you secured treasury/capital markets experience during your traineeship.
- International travel, mostly within Europe, will be a requirement for this role.
- Your prospects for progression will be excellent. Citibank's commitment to staff development is first-rate and a plethora of exciting opportunities exist within audit and key line functions.

*To apply please contact Mark Wheatley or Andrew Fisher at Parkwell Management Consultants, 8 Wilfred Street, London, SW1E 6PL or send your CV by Fax to 0171 233 5205. You can also E.mail us on Parkwell@Compuserve.com. Alternatively, Mark would be delighted to answer any initial queries and can be contacted on 0171 - 630 8000 or out of office hours on 0171- 920 0311.*

CITIBANK

---

International FMCG Group

# TAX MANAGER

**to £65,000 + full range of benefits** **MIDLANDS**

Recognised as one of the leading players in its market, our client is a substantial UK plc which operates on a truly international basis, *employing over 55,000 people globally. Within Group Finance*, the established and high profile Group Taxation function provides a proactive and value added service to the operating businesses. Due to an internal promotion, a challenging opportunity now exists for a dynamic and entrepreneurial tax professional to join this team with the remit to provide a full commercial tax service to a £2bn turnover operating division. The role will be almost entirely consultancy-led and will involve no tax compliance responsibilities.

**The Position**

- Assimilate with senior divisional management team and provide a commercial (as opposed to tax technical) and proactive tax service to this significant division.
- Identify and evaluate a variety of tax planning opportunities, driving through to completion agreed initiatives to reduce Group tax charge.
- Ensure congruency between divisional and corporate goals from a tax planning perspective.
- Succeed in the communication and interpretation of tax issues to non-tax personnel at both Group and divisional level.
- Act as a conduit and commercial information source for the Group Tax team, exploiting business synergies and mobilising resources where appropriate.

**The Requirements**

- Graduate calibre tax professional with a minimum of four years' PQE gained within a premier accounting firm or commercial organisation.
- Well-developed commercial and customer focus, with clear potential for longer term career development.
- Objective individual who can listen, influence and persuade; develop new ideas and approaches, establish their value and gain necessary acceptances.
- Possess the personality and interpersonal skills to create impact and credibility through evident adding of value.
- Self-motivated individual with practical 'hands-on' approach to work. Proven project manager.

Please send your CV with current salary details to: David Burton, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 90325C/04

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com Internet Home Page: http://www.kfselection.com

K/F SELECTION
A DIVISION OF KORN/FERRY INTERNATIONAL

# IT Appointments

## Can You Quench Our Thirst For Process Integration?

Budweiser
KING OF BEERS

Michelob

£Excellent Package

London

**The Company**

Anheuser-Busch is the world's largest brewer, having over 9% of the global beer market and annual sales exceeding US$13 billion. In the past 18 months, Anheuser-Busch was the only major US Brewer to increase market share and sales volume.

Anheuser-Busch European Trade Ltd, the European subsidiary, has enjoyed considerable success and substantial growth over the past three years. In the UK, Budweiser is the leading premium lager and is well supported by Michelob, Bud Ice and the newly launched Roscoe's Red and Michelob Golden Draft.

The objective of Anheuser-Busch is to fully automate as much of the routine processing and reporting as possible and to be at the forefront of new processes, systems and technologies. The company has therefore implemented SAP in its business areas of Finance, Supply and Logistics. There is now an opportunity to recruit an exceptional individual to develop a team of people, and build accompanying business processes utilising SAP to maximise commercial advantage for the organisation.

**The Role**

You will be responsible for:

- Identifying and prioritising opportunities to enhance performance of the business.
- Formulating and implementing plans for the development of finance processes using SAP.
- Producing dynamic solutions to meet the challenges of a fast paced, forward thinking business.
- Influencing and developing in others an understanding of the benefits of an integrated business system.

**The Individual**

- Graduate calibre.
- A commercially orientated business professional.
- An understanding and appreciation of integrated information systems, ideally SAP (training will be given if required).
- A background in Finance, possibly a qualified accountant.
- Strong influencing skills and a pragmatic approach to problem solving.
- Experience of managing a team of motivated individuals.

For further information, please telephone Mark Freebairn on 0171 240 2233. Alternatively, send or fax your curriculum vitae to him at: Martin Ward Anderson, 7 Savoy Court, Strand, London, WC2R 0EL, fax 0171 240 8818, or e-mail him on info@mwa.co.uk. Please quote reference 43003. All applications will be treated in the strictest confidence.

MARTIN·WARD ·ANDERSON·


## Director of IMS

Middle East — Substantial Tax Free Package

One of the leading Hospital Management companies in the Middle East, heavily involved in both Public Service and Private Sector, our client is totally committed to the implementation and development of IT within the entire organisation to achieve, amongst other goals, optimum automation. The company has an aggressive global growth strategy.

Benefiting from a recent capital investment of c£14 million and an IMS agreed budget of c£2.5 million per annum over the next 5 years, you will be a strong, flexible and innovative individual, able to deal with and be aware of multicultural environments, willing to travel extensively and operate efficiently within the executive team and in stand alone situations.

With an excellent proven track record, preferably with some Project Management experience in the Middle East, you will help develop the IMS strategy and monitor its application across all present and future sites, evaluate hardware and software products and advise on possible utilisation within the overall adopted strategy. You will also Project Manage the technical installation of systems, prepare and implement agreed policies, security procedures, stand-by systems and risk management for the IMS investment and deal with the inevitable resultant needs of end users at all levels. Good knowledge of Cerner's clinical products and Oracle would be a distinct advantage.

REED COMPUTING SEARCH

Please email your details to Bahman Farzad, Group Manager or Ross Williams, Senior Consultant, quoting reference FT/18264/BOF.
Reed Computing Search, Fairgate House,
78 New Oxford Street, London WC1A 1HB.
Email: computing.search@reed.co.uk
Tel: 0171 255 2882 Fax: 0171 255 2992

REED SEARCH

## Director of IT

Central London — £Substantial Package

Acknowledged as one of the world's most reputable law firms, dealing in all aspects of business, commercial and private law, our client operates a global network of offices from a prestigious centre here in the City. Progressive in outlook, they are fully committed to the use of sophisticated business systems to add value to every aspect of their service. Keen to maximise the full power of new technology, they now seek a talented and ambitious professional to plan, direct and co-ordinate the development of their IT Department, operating under Solaris, OpenVMS, Windows NT, MS DOS and Windows 95.

In a comprehensive and evolving brief, your initial challenge will be to consult with managers and users, (they have over 300), to develop a detailed understanding of current and future business requirements. From here you will propose systems enhancements, implement new quality standards and develop a strategy for the continuous introduction of new products and services which will maximise company-wide efficiency. This will involve regular performance, contractor and operational reviews and the provision of strong leadership and support to a growing team of IT professionals.

The scope and scale of this hugely influential challenge makes a minimum of 8 years in IT management essential. Needless to say you will be an expert in our client's operating systems and have an impressive record of maintaining and supporting a large number of users, ideally involving SQL Server Database and Microsoft tools and software. A graduate, you will have fine-tuned your impressive man-management, business and communication skills and will now possess the confidence and drive to implement rapid, yet responsible change.

You can look forward to a rare opportunity to put your own ideas into action and in return enjoy an impressive remuneration package, as associated with such a high-profile professional challenge.

REED COMPUTING SEARCH

Please email your details to Bahman Farzad, Group Manager or Ross Williams, Senior Consultant, quoting reference FT/18310/BOF.
Reed Computing Search, Fairgate House,
78 New Oxford Street, London WC1A 1HB.
Email: computing.search@reed.co.uk
Tel: 0171 255 2882 Fax: 0171 255 2992

REED SEARCH

## IT Professionals

London & South East — £Substantial Packages

INSURANCE • BANKING • EMU CONSULTANTS

Are you an accomplished IT Professional looking to take on a real challenge?

If you have a background relevant to one of the above areas and want to move into a training role at the highest possible level, then please contact Reed Computing Search immediately.

REED COMPUTING SEARCH

Please email your details to Bahman Farzad, Group Manager or Ross Williams, Senior Consultant, quoting reference FT/BOF.
Reed Computing Search, Fairgate House,
78 New Oxford Street, London WC1A 1HB.
Email: computing.search@reed.co.uk
Tel: 0171 255 2882 Fax: 0171 255 2992

REED SEARCH

## Project Manager

London — c£45,000 + Stock Option + Benefits

An expert in providing lower cost high quality international and national long distance telephone calls, our American owned client is continually enhancing its MIS environment to equip the business with a responsive and proactive dynamic approach to its market's current and future needs.

Under general direction but with considerable latitude for the exercise of independent judgement and intiative, you will provide project management of software development and maintenance activities. The management of the software development and maintenance activities will encompass project planning, management tracking and control to ensure that business goals and objectives are achieved through technology solutions.

You must demonstrate leadership capabilities, possess a natural ability to counsel, correct and coach staff members, have previous project management experience and be able to juggle multiple (and ever changing) priorities. A genuine team player, with excellent problem solving skills, you will offer at least a BSc. degree in Computer Science or related courses of study, experience with Microsoft Office products and previous experience in the telephony industry.

Professional etiquette and dress, acceptance of responsibility and excellent written and oral communication skills as well as the ability to work independently with meticulous attention to detail are some of the essential personal attributes.

REED COMPUTING SEARCH

Please email your details to Bahman Farzad, Group Manager or Ross Williams, Senior Consultant, quoting reference FT/18454/BOF.
Reed Computing Search, Fairgate House,
78 New Oxford Street, London WC1A 1HB.
Email: computing.search@reed.co.uk
Tel: 0171 255 2882 Fax: 0171 255 2992

REED SEARCH

## Net.Works

Recruitment

The FT IT Recruitment section is also available all week on www.FT.com

## Financial Markets IT Developers

### Interest Rate, FX and Equity Derivatives

*Outstanding intellectually, mathematically and technically challenging opportunities*

**Hong Kong** — **Excellent remuneration and relocation package**

Our client is the highly successful Asian Merchant Banking subsidiary of a global financial organisation. They have assembled an elite team of trading professionals and risk managers from leading US and European investment banks to create an entrepreneurial firm at the very leading edge of financial product innovation. To help sustain their dynamic business growth, they wish to attract and develop business oriented, mathematical technologists. With the drive and vision to genuinely help shape the future of this leading player within the rapidly expanding Asian timezone markets, you will have the talent, motivation and maturity to succeed in an environment where over achievement is the norm.

**The role is to...**

- identify, analyse, develop and deploy software applications for a proprietary trading business.
- work closely with trading, risk and financial control professionals, in many cases as the primary architect and developer.
- take ownership for the management and delivery of software that adds significant commercial benefit to our diverse derivatives business (interest rate, FX and equity).

**You will...**

- have strong software design and development skills with planning and scheduling competencies learnt within medium sized projects.
- possess a complete understanding of the complex mathematics which underpin modern trading systems (of particular interest are individuals with financial analytics and product accounting skills for cash and derivatives interest rate, currency and equity products).
- be a taleoted C++ (on NT or Unix) or Visual Basic developer with exposure to any of the following an advantage: MSOffice/Back Office development (Excel, Access, Exchange/ Outlook); MS SQL Server or Sybase; real-time financial data systems (Triarch or TIB).

**For further information please contact Kevin Davey, quoting reference KDFT333, on 0171 247 7444. Alternatively, send your CV to McGregor Boyall Associates, 114 Middlesex Street, London E1 7JH. Fax: 0171 247 7475. Email: kdavey@mcgregor-boyall.co.uk or visit our web-site at www.mcgregor-boyall.co.uk**

McGregor ■ Boyall

Business & Technology Selection for Financial Markets